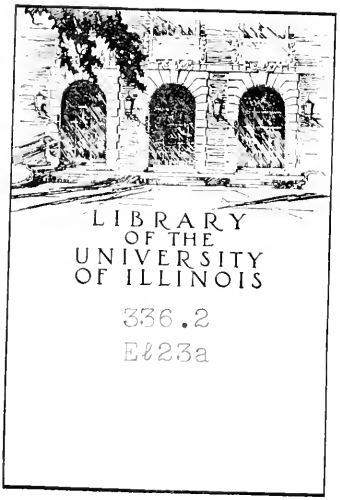

I.H.S.

UNIVERSITY OF ILLINOIS

An Attempt to Amend the Illinois Constitution: A Study in Politics and Taxation

By Ann H. Elder
and Glenn W. Fisher

THE INSTITUTE OF GOVERNMENT

and PUBLIC AFFAIRS

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Institute of Government and Public Affairs
University of Illinois

FOREWORD

Several efforts to revise the revenue article of the Illinois Constitution have been made since the Constitution was adopted in 1870. All have failed. Unfortunately, the earlier efforts to develop a new revenue article have not been systematically reported by historians or political scientists.

This is not the case, however, of the last effort in 1966. Mrs. Ann Elder, then a research assistant on the staff of the Institute of Government and Public Affairs, and now of the University of Minnesota, and Professor Glenn Fisher of the Institute staff, have prepared this case study of the 1965 struggles in the General Assembly and the subsequent campaign for adoption in referendum at the 1966 General Election. Their systematic analysis highlight why the effort was unsuccessful.

This manuscript adds to the limited body of literature on the politics of taxation at the state level. In addition, the material should be of considerable interest to the delegates at the 1969 Illinois Constitutional Convention, who also will be faced with the frustrating problem of revising the revenue article.

The Institute of Government and Public Affairs is glad to make this study available. As in other Institute publications, the authors are responsible for its contents.

Samuel K. Gove
Director
Institute of Government and
Public Affairs

PREFACE

This report could not have been written without the help of many of the people who were involved in the events described. Among those who granted interviews or provided documentary materials were the following: Louis Ancel, Lester Asher, Norman J. Beatty, Terrel E. Clarke, John Cox, Mrs. Ethel Gingold, Allan J. Jacobs, Edward M. Levin, Mrs. Ezra Levin, James Loukas, Thomas Lyons, James Moran, Mrs. John B. Mullin, Mrs. Dawn Clark Netsch, Mrs. Peggy Norton, Bernard Peskin, Howard Sacks, Elroy Sandquist, Jr., Steven Sargent, Adlai E. Stevenson, III, J. Nelson Young, and Dale Yung. The authors extend their thanks to all these persons and others,not named, who helped directly or indirectly.

A manuscript written by Richard L. Mathias was utilized to check fact and interpretations and as a source of additional facts and insights.

Special thanks go to Norman J. Beatty, who gave a great deal of time for interviews and provided much documentary material. Mr. Beatty and J. Nelson Young read the completed manuscript and offered useful suggestions for improvement.

It should be emphasized that the political process described in this report is complicated and controversial. Those who were interviewed and who have commented on the manuscript differ somewhat in their perceptions of the events described. Final responsibility for the selection of the facts to be presented and the interpretation of these facts rests with the authors who have made every effort to present an unbiased account.

Ann H. Elder

Glenn W. Fisher

TABLE OF CONTENTS

LIST OF TABLES

CHART

INTRODUCTION

State tax policy is determined by the legislature within a constitutional framework which lays down certain procedural requirements and limitations upon the type of taxes which may be levied. Participants in the process of tax policymaking include legislators, the Governor, the supreme court, and lobbyists (professional and amateur) who represent the many organized groups with an interest in taxation.

Every session of the Illinois General Assembly sees hard-fought battles over revenue. Few issues have such a direct effect upon so many people and few issues are the concern of as many organized pressure groups. Yet, constitutional limitations and political folkways have produced a kind of dynamic stability. Almost every post-war session of the legislature has seen a spirited fight over tax matters. Invariably a decision is not reached until the waning hours of the session but the outcome is always an increase in the rate of existing taxes, or, sometimes, a slight broadening of the base of an existing tax. Fundamental changes in the tax system, such as the introduction of an income tax or classification of real property, have been prevented by doubts about constitutionality bolstered by the lobbying efforts of groups which are satisfied with the present tax structure.

Those groups which are dissatisfied with the status quo and seek fundamental changes in the state and local tax structure are handicapped by the Illinois Supreme Court's highly restrictive interpretations of the revenue article of the State Constitution. These groups can hope

to achieve fundamental change only by persuading the legislature to risk a serious fiscal crisis by enacting taxes which might be declared unconstitutional many months after adjournment or by obtaining amendments to the Constitution.

An amendment to the Constitution requires that the proposed change be passed by a two-thirds vote in each house of the legislature and then approved either by half of those voting in the election or two-thirds of those voting on the question. The task of securing a two-thirds vote in the legislature on a matter of this importance is not an easy one, but influencing legislators is one task to which tax lobbyists bring much experience and well developed techniques. Securing the necessary popular vote is a different task, requiring different political skills. This case study deals with an attempt to amend the revenue article of the Illinois Constitution. Essentially, it is the story of how a few men were able to exercise the political skills of compromise and persuasion so successfully as to produce an amendment proposal which passed the legislature by an overwhelming majority but which contained within it the seeds of almost certain defeat at the referendum stage.

TAXATION AND REVENUE REFORM: A HISTORY OF LEGISLATIVE PRESSURES

The Constitution and Taxation

The Constitution plays an important role in shaping tax policy and decision-making in Illinois. Permanence of constitutional provisions and uncertainty as to the supreme court's interpretations are important characteristics. From 1870 until 1965, seven proposed amendments to the revenue article had failed to pass the acid test of a statewide referendum.[1]

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[1] See: Thomas Kitsos, "Constitutional Amendments and the Voter," Illinois Government No 27 (Institute of Government and Public Affairs, University of Illinois, July, 1967).

Supreme Court has been the final authority and has tended toward the latter view.

Judicial Decisions and the Rules of the Game

Constitutional theory holds that the state is sovereign in matters of taxation and that so long as the state's actions do not conflict with the federal or state constitutional prohibitions, they are constitutional; in other words, all that is not forbidden is permitted. In Illinois, however, the converse appears to hold. The supreme court has often held that all that is not permitted is forbidden. Further, the court has been in a position to rule on the legitimacy of every new tax, since rigid interpretations by the courts cast doubt on any attempt to change the present system and make a constitutional test of every change inevitable.

The keynote decision in Illinois taxation is Bachrach v. Nelson (1932).[5] The issue in the case was whether or not a graduated income tax would be legal under the revenue article. Two points made by the court have vitally affected subsequent tax policy. First, the court said that income is property and is therefore subject to the uniformity provision of section 1, Art. IX.[6] Second, the court stated that section 2 does not permit the legislature to impose other kinds of taxes, but merely to add new occupations, franchises and privileges to the list specifically designated by section 1. The effect of the decision was to limit the legislature to property, occupation, privilege, or franchise taxes. This case is the origin of much of the "legal fiction" surrounding

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[5] 349 Ill. 579, 182 N.E. 909 (1932).

[6] As Professor Young points out, if this were true, income should be assessed and made subject to the personal property tax. See: J. Nelson Young, "Constitutional Problems," Report of the Commission on Revenue, 1963.

Illinois taxes. For example, the tax popularly known as the "sales tax" is not legally a tax upon the sale of tangible property, as in most other states, but is a tax upon the privilege of engaging in the business of retailing. This has led to endless complications for the legislature, tax administrators, and the courts themselves. It is involved in the question of the validity of a supplemental use tax, exemptions of sales of food, exemptions of sales to charitable organizations and other provisions common in sales tax laws of other states. In dealing with such matters, the Illinois Supreme Court has sometimes been willing to look behind the legal fiction and accept the economic reality that the tax is a sales tax. At other times, it has refused to do so.

Participants and Their Goals

The number of participants in the formulation of tax policy is large. Taxation affects almost every conceivable group, even those which are usually concerned with other specialized interests. Taxpayer groups are directly affected by a change in the tax structure, either favorably or adversely, and work to protect their members from the imposition of any new tax. Tax consumers, on the other hand, are anxious to ensure a revenue base which will be sufficient to fund programs in their interest, since their primary concerns are as users of public tax monies, not payers.

The general public is both a taxpayer and a tax consumer but is not formally represented in the decision-making process, although some civic groups do concentrate on standards of equity and adequacy in any proposed tax structure, and thus represent a kind of abstract "public interest." Some individuals are motivated to write letters or visit their representatives on matters of taxation, but the great mass of the public expresses their interests indirectly, if at all.

All groups act sooner or later on the legislator, the central participant, who decides, in concert with his colleagues, to act in one

way or another or not to act at all. Legislators act on their perceptions of the needs and strengths of the various groups and the relationship of these to their primary interest in maintaining themselves in office, but other considerations such as ideology, sense of equity or personal economic interest also enter into the decision.

The influence of interest groups on decisions made by the Illinois political system is very great. It arises from several separate, but related, sources.

First of all, such groups provide legislators with badly needed technical information. By force of circumstances, partly of its own making, the General Assembly operates in a partial information vacuum. Although the amount of money appropriated by the General Assembly is equal to that spent by some of the largest business firms in America, it operates with almost no staff.[7] The Legislative Council undertakes studies on major issues or writes memoranda, but is not readily available to each legislator since each request for a study must be cleared by a committee of legislators. A legislative intern program provides four interns to the majority leadership of each house and three to the minority. Again, the services of these interns are not available to the individual legislators or even committees. Almost invariably as a result of the lack of staff, the individual legislator suffers from an "information gap." This gap is accentuated by the absence of any widespread specialization among legislators. Committee membership is not automatic after the first assignment, and a legislator's committee assignments may vary considerably from year to year. Although there are those legislators who have a special interest in areas such as revenue, appropriations, or public aid, the tendency to specialize is not widespread among members of the General Assembly.[8]

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[7] There has since been an increase in the staff available to Illinois legislators. This paragraph describes the situation as it existed in the years immediately preceeding the drafting of HJR 71.

[8] Gilbert Y. Steiner and Samuel K. Gove, Legislative Politics in Illinois (Urbana: University of Illinois Press, 1962), p. 15.

The lack of staff assistance is especially important in the field of taxation because of the highly technical nature of the subject. Lobbyists for organized groups have stepped in with resource material and technical knowledge which saves many legislators from embarrassing errors. In general this information is accurate and technically sound. Every lobbyist knows that if he misrepresents a bill to the legislator, he will find his points of access closed and is thus under pressure to be "straight" with legislators. This does not mean, however, that a lobbyist must present all sides of a question.

If a group is to be influential by virtue of its provision of technical information, a research staff and one or more respected lobbyists is essential. The Taxpayer's Federation is an excellent example. Maurice Scott is one of the few experts in property taxation in Illinois and has given freely of his time to local government and legislators. As a consequence, he always has a point of access on property tax matters.

A second reason for the strength of lobbyists' influence is that lobbyists are useful indicators of sources of opposition of a bill.[9] The influence of a lobbyist may come from his political power which may derive from any one of several sources. The size of membership of the organization is one obvious factor, but this must be coupled with some evidence of control of members by the leadership of the organization. Organized labor, for example, has 1.1 million members but labor leadership has not shown the legislature that it can mobilize the support of its members on tax issues. As a result its influence on this issue is less than the influence of other much smaller organizations.

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[9] Ibid., p. 49.

A successful threat also becomes a powerful tool in the hands of a lobbyist so long as no one can prove the threat to be false. The threat may be a personal, political one or it may be a more generalized warning about consequences which will result from a given action. The Illinois business lobbyist makes frequent and successful use of the latter technique. Every proposed tax on business is countered with the contention that it will drive business out of the state. Whether true or false, it is an effective appeal to the insecurity of Illinois which regards its industrial sector with the pride of a farm boy made good.

Finally, the sentiment of the general public is an asset to any group. Since indices of public sentiment are varied and always indirect it is difficult to evaluate the validity of any group's claim, but those defending the status quo usually muster the best case. The maxim "change comes hard in Illinois" has become the motto of legislators viewing their constituencies, and they interpret the "signs" negatively if there is any doubt.

Although there are many private groups trying to influence legislative decisions, in the controversy on tax issues they tend to divide into two coalitions. The strongest groups have traditionally been the business groups which form one coalition. These groups all have an interest in maintaining the status quo. Their goals have been to minimize tax increases and to make sure that any increases come from established sources. The status quo is desirable to most business groups because they pay fewer direct taxes than in comparable states.

Many business executives, as individuals, favor existing tax sources because they are regressive and treat the upper income groups more kindly than the low income groups.

For several years the representatives of leading business organizations have met together as a "Joint Committee on the Revenue Article" to discuss revision of the revenue article. It should not be assumed that there are no differences between business groups or that the membership of the status quo coalition is completely stable. The Illinois Manufacturers' Association, consistently one of the most conservative business groups, has a fairly homogeneous membership and there is less need for compromise among members to arrive at organizational policy. Other organizations, such as the Illinois State Chamber of Commerce, have more diffuse memberships ranging from small commercial enterprises to large industrial corporations. The Chicago Association of Commerce and Industry and the Central Illinois Industrial Association each represent specific geographic areas and this influences the kind of policy action demanded by their members. The Illinois Retail Merchants Association often disagrees with the tax policy desired by the rest of the coalition, largely because of the Retailers' Occupation Tax. Many business organizations prefer an increase in the Retailers' Occupation Tax to a tax on general business, but retailers are opposed to any increases which make Illinois purchased consumer goods more expensive relative to services and out-of-state purchases.

Although differences among members of the business coalition exist, the coalition has consistently opposed any new business taxes and has tried to minimize increases in present taxes. They have been so

successful in guarding the status quo that the groups desiring some realignment of the tax burden were forced to join forces in a coalition to seek change.

The major groups in the opposing coalition have been representatives of agriculture, education, and labor. Although all seek change for their own reasons, these organizations are able to agree on an income tax as the best means of accomplishing all of their goals.

The major representative of agriculture in Illinois is the Illinois Agricultural Association, the state branch of the Farm Bureau. The IAA has advocated a state income tax, with some money returned to the local governments, and an abolition of the personal property tax in the hope that this would alleviate heavy property taxation. The property tax, both real and personal, is borne disproportionately by farmers, especially in downstate Illinois. Farm property and personalty is readily apparent, relatively easy to assess, and income-producing. These characteristics lead the assessor to evaluate farm properties higher relative to homesteads and businesses, thus cutting the relatively low returns to capital even more.[10]

The "working man" is represented by the Illinois Federation of Labor and the Congress of Industrial Organizations (State AFL-CIO). Although strong in numbers, the state AFL-CIO has not pushed the legislature on tax matters. Generally it has confined its attention to those areas where it is sure of its power (e.g., collective bargaining, maximum hours). When labor has expressed opinions on tax policy they have generally been along the lines of national labor policy. The

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[10] R. G. F. Spitze and W. H. Heneberry, "Burden of Property Taxes on Illinois Agriculture," Report of the Commission on Revenue (Springfield, 1963), pp. 492-493.

state AFL-CIO policy statements reflect a preference for a graduated income tax and sales tax exemptions on food and medicine to relieve the regressivity of the Illinois tax structure.

One of the few tax consumer groups to play a major role in tax politics has been the Illinois Education Association which has been concerned about the increasing inadequacy of the property tax base to fulfill educational needs. The IEA has been influential largely because of a bipartisan sympathy for educational needs.

The Illinois Bar Association and the Chicago Bar Association have been active in tax policy largely through the work and study of their subcommittees in these areas. Their subcommittees have advised legislators on matters of drafting and have developed revenue amendment proposals such as the one sponsored by Representative Harold Katz in 1965.[11]

There are many other private groups which enter the arena of tax politics at various points. These are usually groups with specialized interests, such as the public utilities and the railroads. These groups do not do the major lobbying in the area of taxation, but may have an intense interest in certain aspects of tax policy.

Besides the private groups in Illinois politics, there are public or semi-public groups which also have a large stake in political decisions. These groups represent local governments or portions of the executive and judicial branches in policy decisions. Among the most active are the Illinois Municipal League--an organization of city officials--and the Chicago Democratic organization. These groups may or may not operate through professional lobbyists as they frequently find access directly through individual legislators.

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[11] HJR 30 (1965).

Events Leading to a Revenue Compromise, 1961 to 1964

Although there had been occasional rate increases in the post-war years, the structure of the Illinois tax system had been little changed prior to the election of Governor Kerner in 1960. In 1961, however, a series of events began which left serious doubt as to the viability of the status quo.

As Governor Otto Kerner took office, the state faced a severe financial crisis. Although state expenditures had outstripped state revenues for almost 20 years, the Kerner administration was the first to face serious financial difficulties. Excess expenditures by every Governor since Dwight Green had been absorbed by a surplus in the General Revenue Fund built up during World War II when the shortage of men and materials caused a halt in state capital construction. The original surplus was $147 million in 1949 but dwindled steadily to the $15 million which remained as Governor Kerner took office.[12] The situation was complicated by the passage in 1959 of appropriations totaling $130,000,000 more than anticipated revenues.[13] Governor Stratton had temporarily remedied the situation by freezing many appropriations for capital construction, but eventually released $65 million of the appropriations as his campaign for reelection wore on. On April 19, 1961, Governor Kerner announced to the legislature that the state could expect a deficit of $12 million by the end of the fiscal year in June.[14]

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12 Chicago Daily News, January 17, 1961.

13 Glenn W. Fisher, Financing Illinois Government (Urbana: University of Illinois Press, 1960), p. 137.

14 Budget Message, 72nd Biennium, April 19, 1961.

Press coverage of the state's fiscal problems was extensive and alarming. One story which excited much comment noted that during February, the daily balance had fallen to a new low of $8 million in the General Fund and rendered the state unable to pay its bills.[15] The memory of Michigan's financial embarrassment was fresh in everyone's mind, and there were fears that Illinois might meet the same fate. Fiscal soundness became even more imperative with the impending sale of $365 million in bonds approved in the 1960 referendum. Newspaper editorials called for action and cited the possibility of alarming deficits.[16]

Regardless of the validity of the figures or the seriousness of any "fiscal crisis" the public eye was firmly centered on Springfield and the demand was for action. The outlook for a bipartisan effort did not appear promising. A Democratic Governor faced a Republican-dominated Senate and an enigmatic House. Numerically, the House was Republican 89 to 88, but a coalition of Democrats and maverick Republicans had elected Democrat Paul Powell to the speakership. Powell's appointment of Democrats to committee chairmanships made control of the House indefinite.

The House Republicans seized the initiative in settling the shortrun crisis when Representative William Pollack introduced a bill[17] to transfer $5 million from the driver's education fund to the General Revenue Fund. Other bills followed providing for transfers to be made from the Motor Fuel Tax Fund and the Service Recognition Fund.[18] All the measures passed both houses, allowing transfers of $55.1 million.

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15 Chicago Daily News, February 27, 1961.

16 Ibid.

17 H. B. 107 (1961).

18 H.B. 1653, H.B. 1285, S.B. 369 (1961).

These temporary "loans" were far from a permanent answer to the state's fiscal problems. It was essential that new revenue be found. In April, the Governor announced the administration's revenue program, which called for closing loopholes in the sales tax, raising and broadening the corporate franchise tax, raising the tax on cigarettes, imposing a tax of one penny on cigars, and assessing a 5 per cent tax on the gross receipts of hotels and motels. Further, to close the "dollar gap," the Governor suggested that the 3 per cent sales tax be raised to 3½ per cent for two years.[19] The total additional money to be raised from these taxes was estimated at $265 million. Although the tax increases would have meant additional state revenues, the Governor's proposals did not significantly change the tax structure. They included no controversial new tax, such as a state income tax.

Public pressure and gubernatorial influence did little to dislodge these tax measures from the state Senate. Corporations had many sympathizers in the Senate who were unwilling to raise the rate of the corporate franchise tax or to broaden the base to include undistributed earnings. Senate Republicans had developed their own program in caucus and had taken a stand against an increase in the rate to 3½ per cent. This program included four major points:

1. Postponement of repayment of funds to the Service Recognition and Driver's Education funds,

2. Trimming all appropriations by 5 per cent,

3. Passing legislation to turn unclaimed, idle trust funds over to state, and

4. Acceptance of the Governor's estimates of returns on the proposed broadening and hotel measures.[20]

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[19] Budget Message, loc. cit.

[20] Chicago Sun-Times, March 26, 1961.

With the backing of the Republican caucus, the bills to close the loopholes in the sales tax (sometimes called the "broadening bills") were passed by the Senate with little opposition and sent to the House on June 5. When it became clear that the revisions in the corporate franchise tax would not be passed, the issue of a balanced budget turned more and more on the extra half cent on the sales tax. The House had already approved the doubling of the ½ cent city sales tax. This, added to the extra half cent for the state would have made a total rate of 4½ per cent--one full per cent higher than the previous combined rate.

The stalemate was broken on June 30 when the House passed the state tax hike and sent it to the Senate. Over the protests of many G.O.P. senators, Democratic Lt. Governor Samuel Shapiro recognized the motion to consider the House amendment.[21] Democrats managed to get four Republican votes to approve the House amendment. Republican actions during consideration of the amendment prompted one newspaper to run the headline "Sales Tax is Increased as G.O.P. Senators Riot."[22]

As the session ended, Governor Kerner's tax proposals had come through unscathed with three exceptions, two of them minor. The two minor alterations were a reduction in the rate of the hotels and motels tax rate from 5 per cent to 3 per cent and the omission of the one cent tax on cigars which was dropped because of the inequity and difficulty

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[21] Senate rules state a day is to elapse between the time a bill is sent from the House until it is considered by the Senate.

[22] Chicago Sun-Times, July 1, 1961. The proposal to permit municipalities to increase their sales tax levy by ½ cent did not pass the Senate.

of administration. The major omission was the change in the corporate franchise tax which might have opened the door to broader taxes on business.

Even with a fiscal crisis impending, no major changes in the tax structure had occurred. Viewed in terms of relative tax burdens, the status quo was intact. The tax base was only negligibly broader, and the major taxes still fell primarily on the individual.

The Revenue Study Commission of 1961-63

In his 1961 Budget Message, Governor Kerner announced that he had appointed a gubernatorial commission to study the tax structure of Illinois. The Governor requested $120,000 for the commission, to be headed by Dean Simeon Leland of Northwestern University.

The immediate reaction from the legislature was one of displeasure. W. Russell Arrington, a prominent Republican senator, said that this was "presumptious of the Governor. . . ." because it was the responsibility of the legislature to study and revise the revenue structure of the state.[23] Consequently, the legislature appropriated only $20,000 for the Governor's commission, and the commission disbanded.

The failure to reapportion congressional districts during the 1961 session made a special session almost mandatory. In issuing the call for this session, the Governor asked further consideration of a study commission. Specifically, the Governor proposed a commission of 25 citizens and 12 legislators and the appropriation of an additional $130,000.[24] Amid charges of "braintrusting," the legislature whittled

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[23] Chicago Daily News, June 13, 1961.

[24] In addition to the $20,000 already appropriated.

the appropriation to an additional $50,000 and the number of public members to six.

The commission began meeting soon after the special session adjourned in November, 1961. A prominent Chicago tax attorney, Robert Cushman, served as chairman of the commission. A research staff was enlisted from the state universities and was headed by Professor H. K. Allen who had directed a major Illinois revenue study in 1949. Many of the contributors were well-known faculty members of the state universities who were "loaned" to the commission by their universities and spent months in full-time research on the question they had been assigned. Every phase of the state and local revenue structure was studied, from constitutional questions to various taxes and their impact and incidence. Expenditure trends for public assistance, education, and highways were analyzed and these results were incorporated into a study by Professor Case Sprenkel of the University of Illinois which projected Illinois expenditures and revenues over time. This study showed that by 1971, expenditures could exceed the revenue produced by the existing tax structure by as much as $1,483.5 million.[25]

The report of the Commission occupied 62 printed pages and the full text of the staff reports, totaling 812 pages, was printed as Part II of the report.

The commission report placed heavy emphasis upon the potential revenue deficit and the urgent need to close the gap by holding down expenditure and increasing revenues. There was a long series of

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[25] Report of the Commission on Revenue (1963), p. 25.

specific recommendations to this end. Most of them involved possible economies or minor increases in revenue. For example, it was recommended that there be no change in the formula for general aid to common schools and that state support of driver education be discontinued. It was recommended that tuition be increased at state universities and that every department of state government revise its fee schedule to cover the costs of services rendered. It was recommended that the motor fuel tax be increased by one cent per gallon with the proceeds going into the general fund, and that consideration be given to increasing such taxes as the cigarette tax, alcoholic beverage taxes, the tax on pari-mutuel betting, and the utility tax. It was suggested that the state take action to improve administration of the local property tax and to abolish earmarked funds.

It was also recommended, with some dissent, that the state take action to increase corporation taxes. Specifically, it was recommended that the base of the corporate franchise tax be broadened or that the rate be increased by 300 per cent or, as a third alternative, that the corporate franchise tax be computed on the basis of net income.

Adoption of the recommendations of the revenue commission would have made little change in the basic tax structure although adoption of the net income basis for computing the corporate franchise tax might have served as the "foot-in-the-door" for a shift to significantly heavier taxation of general corporations. One brief chapter in the report entitled "General Observations upon the Illinois State and Local Tax System" did point out that the Illinois state tax system is characterized by heavy reliance on consumer taxes and that the local tax system is characterized by heavy reliance upon the property tax. This,

the commission said, poses the question as to whether the state should broaden the base for state purposes by including substantial non-consumer taxes and whether it should increase its aid to local governments sufficiently to lighten the burden of local property taxes.[26]

These questions were not answered by the commission. It was pointed out that the recommendations of the commission would raise substantial revenue, but that if further revenue was needed it would be necessary either to impose a general or selective service occupation tax or to levy a graduated or flat rate income tax.

One legislative member of the commission issued a sharply worded minority report in which he charged that the commission had failed to face up to the long range problem and that the very composition of the commission precluded the possibility of their finding a solution. Specifically, he stated "It defies human nature to expect the very element who are not now paying their share of taxes to voluntarily agree to such reform."[27]

Four "citizen" members of the commission joined in a milder additional statement in which they stated:[28]

> A review of the mass of data presented to the commission shows that the Illinois revenue problem involves several more or less closely related issues. They include the incidence and adequacy of the present tax system, state-local fiscal relations and the relatively high proportion of the tax load carried by the property tax in the combined state-local tax system. The common thread binding all these issues together is the question of constitutional revision.

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26 Ibid., p. 44.

27 Ibid., p. 57.

28 Ibid., p. 58.

The additional statement went on to suggest that the state should relieve the burden of the property tax either by sharing tax revenue with local governments or by assuming a larger share of local education costs. It was also suggested that the state should take steps to improve administration of the property tax and that the General Assembly should be given authority to classify personal property for taxation or to impose other taxes "in lieu" of taxation of personal property. The statement concluded by suggesting that any revision of the revenue article be confined to relatively non-controversial matters such as permitting the classification of personal property. It was argued that the General Assembly probably has the power to levy an income tax, but that inclusion of specific authority for this would probably lead to defeat of any attempted amendment.

Few of the recommendations of the revenue commission were enacted by the 1963 legislature. Of the recommended tax increases, only those on pari-mutuel betting and public utility receipts were enacted. Suggestions for a statewide system of junior colleges, the creation of a board of higher education and the reorganization of the Public Aid Commission into a code department were accepted, but all of these had strong support from other sources and it is doubtful that the revenue commission recommendations played a major role in their success.

The original report of the commission contained no recommendation on the subject in which the Governor was most interested--revision of the revenue article of the constitution. Accordingly he asked the commission to reconvene and reconsider the question. The difficulty of compromise was presaged here as the commission attempted to draft a revision of the revenue article. There was no general agreement on the

principles of taxation which should be incorporated into any revenue revision. Most members agreed upon a classification of intangible personal property, but differed on the merits of classification of tangible personalty and real property. The widest differences of opinion were on the question of individual and corporate income taxes. The article which was finally recommended was a controversial compromise allowing limited classification of all property and a limited, flat rate income tax. The compromise passed the commission by a vote of 8 to 6.

A proposal which created so much disagreement among the commission members was understandably not popular politically and had not even been introduced as the May deadline for the introduction of constitutional amendments approached. A member of the Governor's staff finally arranged to have it introduced, but it was given little serious attention by the legislators.

As the 1963 session of the General Assembly adjourned, it appeared that the commission had achieved little. It had recommended no major changes in revenue structure and its recommendations for minor changes had been largely ignored by the legislature. Nevertheless, the commission report and the accompanying staff reports presaged future attacks upon the status quo. It is impossible to say to what extent these attacks were influenced by the commission's work but it is clear that the report of the commission and the accompanying staff reports had shown the reason for change and had pointed out several new directions for action.

Probably the most important aspect of the staff reports were the revenue and expenditure projections. They clearly shattered any illusions that the state's revenue needs could be met indefinitely by periodic increases in the rates of existing, narrowly-based state taxes.

That the commission itself recognized the importance of the projections is indicated by the prominence given to a summary of these data in the rather brief commission report.

The staff reports also documented the capricious, inequitable nature of the Illinois state and local tax system. It is clear to the careful reader of the reports that farmers and consumers bear a relatively high share of the tax burden in Illinois. Business in general is lightly taxed but certain businesses, notably public utilities and those industries that have large amounts of heavily assessed property, may pay rather high taxes. Many specific instances of arbitrary and capricious taxation are well documented in the staff report. For example, the base of the corporate franchise tax bears little resemblance to any logically defensible tax base. The amount of stated capital and paid-in surplus of a corporation are a function of historical circumstances and accounting practice that bear little relationship to either benefits received from government or ability to pay taxes. This tax is bearable only because the rate is so low that the amount paid by most corporations is negligible. It is also clear from the staff reports that the Illinois sales tax base is neither economically logical nor in accord with common practices in other states.

Still a third important aspect of the work of the commission was that it focused attention upon the possibility that an income tax might be upheld under the existing constitutional provisions. In a report to the commission, Professor J. Nelson Young, a University of Illinois law professor, suggested that there is a strong case for overruling Bachrach v. Nelson and went on to say that "under the rule of incorporation by reference, a state income tax could be effectively coordinated with and based upon, the federal income tax."[29]

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[29] J. Nelson Young, "Constitutional Problems," Report of the Commission on Revenue (1963), p. 380.

Although Professor Young was by no means the first authority to suggest that the Illinois Supreme Court might well sustain a properly drafted income tax,[30] inclusion of his paper among the staff reports focused additional attention upon the possibility.

The Illinois Building Authority

The inadequacy of the Illinois tax base was further underscored when the Illinois Building Authority was created by the 1961 General Assembly and expanded in 1963. The purpose of the Building Authority is to circumvent the constitutional debt limit of $250,000[31] for the deficit financing of state capital construction. Accordingly, the IBA issues revenue bonds for capital construction which are paid from "rents" received when the buildings are leased to the state.

Several taxpayer groups were alarmed by the use of deficit financing on such a large scale, and in violation of the spirit if not the letter of the constitution. A 1963 resolution of the Illinois Agricultural Association stated:

> Dependence on borrowed money for the construction and maintenance of state buildings can lead only to mushrooming state debt and heavier taxation ahead.[32]

Spokesmen for the State Chamber of Commerce emphasized that using this arrangement in order to borrow for relatively small capital improvements is uneconomical--akin to a man taking out a mortgage on his house to make a 50 cent repair. Other financial observers pointed out that this is an expensive method of borrowing since the uncertainty as to the legal status of bonds issued by the Building Authority must be compensated for by a higher rate of interest if the bonds are to be salable.

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30 See, for example, Rubin G. Cohn, "Constitutional Limitations on Income Taxation in Illinois," University of Illinois Law Forum, Vol. 1961, no. 4, pp. 586-613.

31 Constitution of the State of Illinois (1870), Art. IV, sec. 18.

32 1963 Resolutions, Illinois Agricultural Association, 1963, p. 29.

To many, the Building Authority appeared to be merely another in a series of stop gap measures which could not be continued indefinitely. The tendency to turn to the building authority method of borrowing only underscored the inadequacy of the state revenue structure that was revealed by the Revenue Commission's projections.

PRIVATE DEVELOPMENT OF A REVENUE ARTICLE

One of the most remarkable characteristics of the proposed 1965 Revenue Amendment was its "agreed" character. This resulted from the fact that representatives of several of the groups which are most influential in Illinois revenue matters saw the threats to the status quo and concluded that they should take steps to insure that the new order would be one that they could 'live with." As a result of their actions, the proposed amendment reached the legislature only after many of the major compromises had been made and the crucial bargains struck. These bargains were made by representatives of interest groups meeting regularly from March, 1964, to February, 1965, as the "Selected Organizations Concerned with Amendment of the Revenue Article of the Illinois State Constitution." The Selected Organizations were originally four from agriculture, education, and labor and five from business. The four ag-ed-labor organizations and their representatives were: The Illinois Agricultural Association (John K. Cox and Paul Mathias), AFL-CIO (Stanley Johnson and Reuben Soderstrom), the Illinois Education Association (Wayne Stoneking) and the Illinois Association of School Boards (Robert M. Cole). The five business organizations initially invited were: the Chicago Association of Commerce and Industry (Preston Peden), the Civic

Federation (Harland Stockwell and Joseph O'Neil), the Illinois Manufacturers' Association (E. Edgerton Hart), the Taxpayers' Federation (Maurice Scott), and the Illinois State Chamber of Commerce (Norman "Jack" Beatty). The five business groups had all been part of the Joint Committee, a group of business organizations that had worked for several sessions to draft a revenue amendment favorable to business. Originally, any such draft was to be held in reserve ready to counter less desirable drafts that seemed likely to pass.

As noted before, compromise became a legitimate concern of business groups when the status quo which they were defending seemed in danger. For the first time in recent years, the ag-ed-labor coalition, which had consistently supported substantial changes in the status quo seemed in a position of strength in pressing their claims. Thus, acting under the authority of a Board of Director's resolution,[33] Mr. Beatty contacted Mr. John Cox, the legislative secretary of the IAA, early in 1964. These two men continued throughout to serve as informal liaisons between the two coalitions--Mr. Beatty contacting business organizations and Mr. Cox informing members of the ag-ed-labor coalition of relevant events.

Mr. Beatty and Mr. Cox agreed that compromise and revenue modification were imminent and that joint conversations between the two coalitions would be fruitful. Accordingly, a meeting was called for March 11, 1964,

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33 The statement made by the Board on September 20, 1963, was as follows: The Illinois State Chamber of Commerce should continue to actively advocate the adoption of a new Revenue Article for the State of Illinois, and to that end it should take all reasonable steps to see that a new Revenue Article acceptable to business and other interested groups be drafted in whatever form seems most likely to receive legislative and public acceptance. It is understood if such an Article should be drafted it would be referred to the State and Local Taxation Committee and to the Board for approval.

to which the nine organizations already discussed were invited. These nine[34] organizations worked out a basic draft of an amendment which was accepted with only two major changes by the legislature.

The Groundwork

Working on a revenue amendment was not a new experience for most of these groups. As a consequence, every representative was well aware of probable areas of contention and the position of each group on revenue issues. Business generally favored the status quo--a regressive tax structure, heavily dependent upon property and sales taxes. Ag-ed-labor groups, on t he other hand, favored sweeping changes in the revenue system, instituting new taxes and shifting the tax burden more squarely onto personal and business income rather than property.

Compromise was possible by moderating the positions of each side. In the face of uncertainty, it appeared likely that business groups would settle for a limited amount of change rather than run the risk of a graduated corporate income tax under the present revenue article. Ag-ed-labor,on the other hand, seemed willing to accept a limited amount of change in view of past failures to get any at all.

It was recognized that each group had a "must" position which had to be substantially fulfilled if any compromise was to take place as well as several secondary "desirable" positions which could be used as bargaining points. Business groups were against classification of real property, a graduated income tax, or a corporate tax levied on gross receipts. Business would have also liked to require a referendum provision which would have called for a statewide vote should the l egislature propose an income tax. Agriculture, education, and labor were all insistent upon

[34]This was later changed to thirteen as the Chicago Teachers Union (John M. Fewkes), Illinois Retail Merchants Association (Fred Goerlitz and Joe Meek), the Illinois State Bar Association (Emerson Chandler), and the Central Illinois Industrial Association (William H. Day) were included in discussions.

an income tax (if for different reasons). Although there was some tendency, especially on the part of labor, to favor a graduated tax, this group was willing to settle for a flat rate tax. Labor was expected to insist upon a "true" sales tax which they hoped would clear the way for the exemption of food and medicine from the sales tax.

On the other hand, there were several areas of agreement such as classification of intangible personal property and classification of tangible personalty, at least to the extent of segregating household goods and personal effects from other types of personal property for purposes of taxation.

Meeting of March 11

On March 11, 1964, representatives of eight of the nine organizations[35] assembled to discuss modification of the Article IX of the Illinois Constitution.

It was understood that none of those present had any authority to commit their organization, but it was agreed that every organization represented felt a strong need for modification of the revenue article and recognized that this could be achieved only if widespread support for a particular article was developed.

It was also agreed that there were a number of relatively non-controversial issues, but that the problem of income taxation and the classification of property were major stumbling blocks. The problem of finding a satisfactory compromise on these two issues was quite different. Attitudes toward income taxation can be scaled on a uni-dimensional scale with the more conservative groups opposing any income taxation

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35 The Illinois Manufacturers' Association (IMA) did not send a representative.

but preferring a flat rate tax, with low exemptions to the highly graduated tax preferred by the more liberal groups on the scale. Reaching a compromise involved discovering whether there was an area toward the center that could be accepted, perhaps in return for concessions on other issues, by all the groups concerned. The groups represented at the first meeting represented several different positions along the scale and it was possible for them to meet the problem head on at this meeting. As a result, they were able to work out the general outline of the compromise which was later adopted. Basically, there was agreement that a graduated income tax should be prohibited, but that a flat rate tax with a specified maximum rate should be authorized and that any increase above the specified maximum should be permitted only after a referendum.

The problem of property classification was more complicated, in part, because of the varying and complex administrative practices which have developed under the present constitutional provisions. The revenue section of the 1870 Constitution, carried forward with little change from the 1848 Constitution, clearly reflects the common belief of the time that most of the revenue of government should be obtained from a uniform, universal, general property tax. Illinois local governments continue to obtain most of their revenue from the property tax, but in practice, it is far from the uniform, universal tax prescribed by the constitution.

The real estate portion of the tax is theoretically the easiest to administer but, in practice, it is far from uniform or universal. Many assessors are untrained in estimating the value of property and

great discrepancies occur in valuation of similar properties. As an elected official the assessor is subject, consciously or unconsciously, to political pressures in assessing property which make him hesitant to change assessments as property values change. Conscious differences in assessment levels sometimes occur as allowances are made for the income producing potential of business property as opposed to homesteads or an effort is made to attract business to an area with promises of lower assessments. In Cook County, an elaborate system of classification has been established which favors homeowners by assessing commercial property at a higher percentage of true value than residences. Elsewhere, classification devices are not so formal or so open, but often result from negotiations between tax officials and taxpayers. Classification systems violate the uniformity clause of the constitution and make local government vulnerable to judicial attacks from the taxpayer who does not benefit from the classification. As yet, no taxpayer suit to force reassessment of property at the statutory 100 per cent has been successful, but a series of suits by railroad companies have resulted in court orders that state assessed railroad properties be assessed at the same (lower) percentage of true value at which local properties are assessed.

Personal property is often difficult to find, is more difficult to assess than real property, and can sometimes be moved to avoid taxation. Furthermore, if the present rate of taxation were applied to many kinds of intangible property, it would confiscate the income and destroy the value of the property. As a result, administration of the tax on personal property is far worse than is administration of the real estate tax.

Very little intangible property is assessed anywhere in the state, except in unusual circumstances. In Chicago no effort is made to assess ordinary household goods or private automobiles. Money and securities are assessed at a stated, small percentage of true value. In general, it is probably true that the level of assessment of tangible personal property varies with its visibility and the ease with which it can be valued. In addition, there are various informal classification schemes in various parts of the state.

One interesting vestige of the attempt to make the property tax truly uniform and universal is the so-called "capital-stock tax." In theory this tax applies to the intangible "going-concern" value of a corporation. The base of the tax is theoretically the difference between the total value of a corporation and the value of specific items of property which have been individually assessed. Over the years, however, judicial, legislative and administrative actions have combined to erode the base of the tax. Today, the capital stock tax could almost be characterized as a "voluntary" tax, except for utility corporations and certain types of financial organizations which are assessed by the state Department of Revenue.

Because of different administrative practices throughout the state, the different composition of the property holdings of individuals and businesses and the overlapping complex of local government that administer and receive revenue from the property tax, it is not possible to set up an unidimensional scale that provides an accurate representation of attitudes toward the classification of property for taxation. Both political and economic interests are so diverse that a detailed

study of the circumstance of an individual would be necessary before one could predict his attitude toward a particular classification proposal. It is difficult to predict whether the legislature would establish a classification system that would favor business property or tax it more heavily, but, given present assessment practices, it is likely that any change to a classified system would have a different impact on different businesses and on businesses in different parts of the state. In addition, local governments would be affected very differently. For example, elimination of taxes on intangibles would greatly reduce tax collections in that handful of thinly populated counties which are the "tax home" of a major utility.

At the first meeting of the Selected Organization group it was agreed that there should be no classification of real estate, even though it was recognized that this position might be strongly opposed by political leaders from Chicago who were reportedly worried about the possibility that the existing extra-legal classification system might be successfully challenged in court.

The next meeting was scheduled for May 7, allowing an interval of two months for representatives to communicate the results of their negotiations to their respective organizations.

Meeting of May 7

Negotiations progressed well at the May meeting, even though other commitments resulted in the absence of the IMA and the AFL-CIO representatives and removed the peripheral groups from the discussions.[36]

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[36] "Peripheral" is used to describe positions on a liberal-conservative scale, with the labor position being the most liberal and the IMA the most conservative in terms of their revenue demands.

Discussion settled primarily on the form of the presentation of an amendment. Mr. Robert S. Cushman[37] presented his plan for multiple submissions of the more controversial parts of any revenue article. This approach would not necessitate agreement between the coalitions and would also avoid pyramiding negative votes resulting from putting all controversial sections in one "package." Representatives of the private groups felt, however, that a package would be more effective if agreement were at all possible.[38] This would allow a single, direct campaign and would unite support. Also, compromises could be made which would allow everyone to get something.

Another point of discussion centered around classification of personal property. It was generally agreed that tangible personalty should be classified at least to allow some reduction or exemption of the tax on household goods and personal effects. At the same time, however, business and agriculture both feared that their personal property would be singled out to bear a heavier proportion of the tax to compensate for the loss of revenue from households. This fear ruled out the possibility of permitting the legislature to establish the classification system for tangible personal property. It was felt that there was a possibility of agreement on the specification of a class including "business and agriculture inventories, including livestock."

As the May 7 meeting adjourned, there seemed to be general optimism that some agreement would eventually be reached and that any agreement would almost be assured legislative success.

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[37] Mr. Cushman, a tax attorney, had been chairman of the Commission on Revenue.

[38] Minutes of meeting of Selected Organizations, May 7, 1964.

Meeting of June 15

At a meeting on June 15, 1964, those present reviewed a partial draft of a proposed amendment. After general discussion each individual present was asked to indicate whether he thought agreement was near. Several expressed the view that the group was further from agreement than in the past, however, it did appear that the treatment of tangible personal property was a satisfactory compromise. It was agreed that four classes of property would be set up and that the legislature would be permitted to establish different levels of taxation for each. The classes were:

1. "Household goods and personal effects not used in the production of income,"
2. "Business and farm inventories, including livestock,"
3. "Motor vehicles, ships, boats, and aircraft,"
4. "All other tangible personal property."

In fact, this wording was to remain intact throughout the rest of the negotiations and can be regarded as a settled point.

This classification put business and agriculture inventories in the same category, ensuring the cooperation of business and agricultural interests if the legislature attempted to single out this property for higher tax loads. The fourth category was composed mainly of industrial machinery and the personal property of public utilities, but also included farm machinery.

Meeting of November 23

The next meeting of the Selected Organizations was held more than five months later. In the meantime, the lobbyists had communicated the progress of the revenue discussions to their organizations, some

organizations had taken action to clarify their positions, lest too much compromise result in an amendment which would be unacceptable to them. For example, the State and Local Taxation Committee of the State Chamber of Commerce recommended the following addition to the Chamber's revenue policy statement:[39]

> It is further understood that any provision which authorizes the classification of real estate for taxation or authorizes the imposition of a graduated income tax is contrary to the interests of Illinois business and should not be included in any Article so drafted.

This statement seemed to be setting the boundaries of the State Chamber's position since it implied, by omission, an acceptance of a flat-rate income tax.

At the meeting of November 23, 1964, after the delegates had conferred with their organizations, two changes were tentatively agreed upon in the draft--making the "in lieu" tax applicable only on a statewide basis and inserting a provision on the bonding limits of local governments. The "in lieu" tax had been inserted at the request of Mr. Cushman who felt that the Chicago practice of charging a wheel tax instead of assessing autos as personal property should be legalized. The IEA was opposed to either provision, since they felt that the "in lieu" taxes would shrink the property tax base and take money away from the schools, since the wheel tax goes only to the City of Chicago and not to the school district as do other property tax revenues.

It was agreed to send the draft, with the two changes, to the organizations participating as well as to certain education and labor

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[39] Statement issued by the State and Local Taxation Committee of the State Chamber of Commerce, September 18, 1964.

organizations whose reaction was important. It was also agreed to see that it was presented to the Joint Committee on the Revenue Article, composed of 12 business organizations. Here the roles of the IAA and the State Chamber of Commerce as liaison groups became very important. The IAA was to seek a consensus on the proposed draft among the groups of its coalition, whereas the State Chamber was to seek agreement among the organizations of the Joint Committee.

Meeting of the Joint Committee

In order to win the support of that large segment of the business community represented by the Joint Committee, a meeting was held with the representatives of these organizations on December 4, 1964.[40] At this meeting several changes were suggested by the delegates present, most of which were technical changes. The main portion of the meeting, however, was taken up by Emerson Chandler's explanation and defense of the revenue proposal.

In discussing the proposed revenue amendment, Mr. Chandler made several significant points. First, he pointed out that provisions such as classification of tangible personalty, more liberal limitation on personal and dependency exemptions (re: an income tax), exemptions from the sales tax, and an increased bonding limit for unit school districts had not, in the past, been supported by the Joint Committee.

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40 Members of the Joint Committee represented were the Chicago Association of Commerce and Industry, the Chicago Bar Association, Chicago Real Estate Board, Civic Federation, Illinois Association of Real Estate Boards, Illinois Bankers Association, Illinois Retail Merchants Association, Illinois State Bar Association, State Chamber of Commerce, and the Taxpayers Federation. The IMA and the CIIA did not send representatives.

His second point, however, was that compromise on such points was necessary to insure a wide base of support. In spite of this presentation, the proposed draft did not excite much enthusiasm from delegates at the meeting who voted only to refer the draft, with proposed amendments, to their organizations.

Mr. Robert Cushman brought up, before the Joint Committee, his idea of multiple submission of parts of any proposed article. He explained that a basic article would have to be approved before any of the following provisions could take effect:[41]

1. Prohibition of an income tax.
2. Authorization of a graduated income tax.
3. Authorization of a flat-rate income tax only.
4. Authorization of the classification of real property.

In light of his experience as chairman of the Commission on Revenue, Mr. Cushman believed that agreement on a revenue article among the interested parties was an impossibility, and that multiple submission was the only device which could achieve any change.

The Joint Committee also discussed the Chicago Bar Association draft of a proposed amendment but, in the end, it was agreed to submit the Selected Organizations draft to the individual organizations and to seek organizational approval. The difficulties that might be incurred in seeking approval were discussed and it was decided to avoid publicity which might handicap the cooperative effort.

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[41] Minutes of the meeting of the Joint Committee, December 4, 1964.

Ag-Ed-Labor Conference

In January, 1965, after the legislature convened, John Cox, the representative of the IAA, called together representatives of the ag-ed-labor coalition to discuss that draft of the revenue amendment prepared by the Selected Organizations and amended by the Joint Committee.

The alternative or multiple submission plan was also discussed by this group, but met with an immediate negative reaction. Not only was this plan thought to be too complicated, but the practical political implications were considered dangerous. All the groups present realized that it was Cook County that usually carried constitutional amendments. It was felt that the closely controlled Cook County vote could be used to preserve classification of property while rejecting all other proposals. This would preserve the probable authority in the present revenue article for the legislature to pass a city payroll tax for Chicago, while binding the rest of the state to the present revenue system. Since the ag-ed-labor coalition had long supported sweeping changes, it was felt that this plan could produce a revenue structure worse than the present one. Chicago would have taken away one of downstate's few bargaining points vis-a-vis the Cook County Democratic organization--classification.

The educational organizations again expressed concern about the impact of any "in lieu" tax which would reduce the tax base for educational expenditures.

All the groups present favored the levy of a state income tax. There was some concern over the rate which had not been definitely fixed but which had appeared in several drafts as a "2 per cent plus 3 per cent" proposal, whereby the legislature could establish a 2 per cent income tax simply on legislative initiative but could not raise the tax to a ceiling of 5 per cent without first holding a statewide referendum.

Meeting of February 15

After both the business coalition and the ag-ed-labor coalition had had an opportunity to review the rough draft of the amendment and propose changes, the Selected Organizations met on February 15, 1965. At this meeting, four additional organizations were represented--the Central Illinois Industrial Association (William H. Day and William Ridgely), the Chicago Teachers Union (John Fewkes), the Illinois State Bar Association (Emerson Chandler), and the Illinois Retail Merchants Association (Fred Goerlitz).

At this meeting attention focused upon details and upon exact wording rather than the broad general principles which had been of concern in earlier meetings. For example, it was decided to consider a rate of 3 per cent rather than 2 per cent as the limit upon the flat rate income tax which could be levied without a referendum. It was also agreed that the limit upon bonded indebtedness of unit (combined elementary and secondary) school districts should be raised from the proposed 8 per cent to 10 per cent of assessed value with a provision that the limit would rise to 12 per cent in case personal property taxation was abolished by the legislature.

It was also decided to rewrite the "in lieu" tax provision. The draft amendment permitted the legislature to impose taxes upon ships, boats, aircraft and motor vehicles in lieu of property taxes; "provided that the local governments within whose territorial limits any such property is situated shall receive, as nearly as practical, the same proportion of such in lieu tax as they would have received of a property

tax or taxes thereon." Many felt that this provision was inflexible and unworkable and it was rewritten to permit the legislature to distribute the proceeds in whole, or in part, to local units at its own discretion.

There was discussion of several matters which are technical in nature but of potentially great importance to some groups represented. For example, there was concern that the proposed amendment make clear that intangible property resulting from a trade or business conducted in another state is not taxable in Illinois and that goods in process of manufacture or part of inventory could be exempted and that no franchise tax based upon gross receipts could be levied.

At this February meeting, the wheels were set in motion to begin the process of acceptance of the draft. Hope was expressed that each organization would take steps to approve the article and to acquaint individual legislators with the attempt that was being made to develop a compromise revenue article. It was also decided that it would be desirable to meet with the Governor and acquaint his administration with the details of the proposal.

Meeting with the Governor

To acquaint the administration with the provisions and political realities of the article, representatives of the Selected Organizations met with Governor Kerner on February 23. Although friendly, the Governor made no commitments and asked the groups to wait before introducing the draft as a joint resolution. At this time, the legislature had been meeting for almost two months and had four months to go before the traditional adjournment date of June 30.

Joint Committee Meeting of March 12[42]

The Joint Committee met once more to consider the Selected Organizations' draft. The changes which were suggested at this meeting were incorporated into the draft by Mr. Beatty and Mr. Richard Wattling, just as were the changes suggested at meetings of the Selected Organizations. Copies of the minutes of the meeting were prepared and sent along with a draft to members of the Selected Organizations. This procedure allowed the Joint Committee a substantial voice in the final form of the draft without causing a complete merger of the two coalitions. Although most of the traditional agriculture-education-labor groups were included in the Selected Organizations,[43] the business coalition was only partially represented in the compromise group. Groups such as the Bankers Association and the real estate groups were members of the Joint Committee but not of the Selected Organizations group.

There were several changes suggested by the Joint Committee at the March meeting. First, changes were made in section 2A to clarify the "nontaxability of accounts receivable and similar intangibles arising from out-of-state operations."[44] Second, a change was made in paragraph 3 of section 2A, clearly separating the exemption of trust property from the provisions concerning domicile. Third, changes were made in paragraph 4 of section 2A concerning the income tax. Alterations were necessary to make it clear that only the state can levy an income tax and that

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[42]Organizations represented were: Central Illinois Industrial Association, Chicago Association of Commerce and Industry, Chicago Bar Association, Chicago Real Estate Board, Civic Federation, Illinois Association of Real Estate Boards, Illinois Bankers Association, Illinois Manufacturers Association, Illinois Retail Merchants Association, Illinois State Bar Association, the Taxpayers' Federation, and the Illinois State Chamber of Commerce.

[43]There were some exceptions such as the P.T.A.

[44]Letter from Norman J. Beatty to representatives of the Selected Organizations, March 16, 1965.

this avenue of taxation is closed to any other local unit of government. In addition, changes were made in the section providing for an income tax so as to make it clear that a franchise tax measured by income would not be allowed in addition to an income tax on corporations.

An extended discussion focused on whether or not dependency and business exemptions should be required to be the same as the federal exemptions. Many businessmen felt strongly that the federal system of exemptions had eroded the tax base. In earlier meetings of the Joint Committee, these same people had suggested that only business exemptions be allowed. The Retail Merchants vigorously advocated the federal example. They pointed out that many chain stores find it most difficult to fill out different tax forms for each state within which they do business. Although there was considerable disagreement on this point, the wording which required that exemptions and deductions be identical to the federal items was left standing.

The Joint Committee again expressed disapproval of allowing exemptions from the sales tax. Representatives of business felt that if such exemptions were authorized by the legislature on such things as market basket items, the tax base would be so eroded that state revenues would have to come from another source, perhaps less favorable to their interests. The representatives had to be reminded on this and several other points that this was a compromise article and that to retain the broad based support built up for the article, certain less desirable provisions had to remain. In regard to the "true" sales tax, it was pointed out that this was a "must" position for labor groups and had to remain.

A further suggestion came from one group to include a fifth class of personal property to be composed of "equipment and fixtures."[45] This change did not receive much support, however, and no vote was taken. There were still groups among the Joint Committee which opposed any classification of personal property and which especially wished to allow no opportunity for the legislature to discriminate against any class; however, as with the sales tax, concessions were made.

As the meeting adjourned, some concessions had been made on personal property, the income tax rate, and the "true" sales tax, but not happily. Although the compromises were not made willingly by any of the groups, some were more intransigent than others. Organizations such as the Illinois Manufacturers Association were more conservative than the majority and did not send representatives to most of the meetings of either the Joint Committee or the Selected Organizations.

Final Product

The major provisions of the draft which was introduced in the General Assembly[46] were the product of more than a year's work. Even so, many of them were essentially the same as the rough draft prepared prior to the March, 1964, meeting. Controversy had been heated and hard fought, but had centered on relatively few provisions:

1. rate of a flat rate income tax,
2. exemptions and deductions,
3. classes of tangible personal property,
4. "in lieu" taxation.

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45 Minutes of the Joint Committee meeting, March 12, 1965.

46 HJR 40, 74th General Assembly (also introduced in Senate as SJR 26).

The article would provide for classification of personal property. Classes of intangible personal property would be set up by the legislature, whereas the four classes of tangible personal property were carefully written into the amendment. An "in lieu" tax was also included, allowing statewide collection of a tax on motor vehicles, boats, ships, and planes to be returned to the local governments at the legislature's discretion.

The amendment did provide for an income tax, to have a flat-rate with a 5 per cent ceiling, the first 3 per cent of which could be levied without a statewide referendum. Deductions and exemptions were to be no more than allowed by the federal system, and the rate was to be uniform on persons and corporations.

The legislature was given specific authority to levy sales and use taxes and retained the right to levy occupation, privilege and franchise taxes. No gross receipts tax could be levied on corporations alone, however, because of a provision specifying a uniform rate on corporations and individuals for any such tax.

In section 3, the basic exemption section of the constitution was maintained, permitting exemption of charitable, educational and religious property.

Sections 9 and 10 dealt with local governments. Section 9 gave taxing powers to local governments, whereas section 10 gave the state specific authority to return taxes to local governments at the legislature's discretion.

Section 12 raised the bonding power for unit school districts relative to high school or grade school districts. The 5 per cent bonding limit for other units of local government was kept. This section also provided for an increase in the limit in the event the legislature abolished the personal property tax as provided for in section 2A.

Conclusion

The drafting of the interest groups' compromise amendment is striking in several aspects. One of the most outstanding characteristics of the process was its isolation from the legislative process in these initial stages. No legislators or political party leaders were invited to sit in on the deliberations. Even when the legislature was in session, the only liaison was for lobbyists to inform individual legislators of the draft's existence and this was not done until late in February when the legislature had been in session almost two months. Not at this time or any time before the introduction of HJR 40 and SJR 26 were legislators invited to give comments on the draft. The only formal contact with the legislative process came when the Selected Organizations met with Governor Kerner late in February. This meeting evoked no response from the Governor which could serve as a basis for negotiation and compromise.

Ironically, the drafters of the compromise were to some extent insulated from their own organizations. Consider that the representatives of the organizations were, in fact, the lobbyists for those groups. Lobbyists are, as a rule, more accustomed to compromising and working with other groups and other viewpoints than are the other leaders and members of the groups they represented. Further, the extent of the compromise was much greater than normal for both coalitions, since this effort was an attempt to draft a proposal acceptable to groups with widely varying positions. It is less difficult to understand the later actions of some of the interested groups when it is understood that the orientation of the drafters may have been somewhat different from that of the organizations they were representing.

The degrees of activity of the various groups has drawn attention from several observers. Each group, of course, maintained at least some interest in the outcome, but became most active at those points where its interest would be directly affected by the result. For example, banking interests were generally inactive, except with regard to the section clarifying the tax status of intangibles held in trust. When the banks had been assured that their interests would be protected, they became inactive again. Other groups with wider interests such as the Illinois Agricultural Association and the State Chamber of Commerce, had a greater stake in the total tax structure and were, therefore, active over a wider range of issues.

The amount of staff available to each organization and therefore to the lobbyist, also seems to have had a significant effect upon the participation rate of each organization. Those groups with well qualified technical staffs naturally had a greater knowledge of the complexities of the subject matter and were in a better position not only to offer changes but to judge the effect of proposed changes on their interests.

Although the optimism among the participants in the drafting process was high, disagreements among interested groups were already evident. Business groups, both in the Selected Organizations and the Joint Committee, achieved many points which they had desired, but some business groups were dissatisfied with compromises made on key portions of the amendment such as classification of tangible personal property and the true sales tax. Labor groups, on the other hand, had been very cautious

in committing themselves on any of the issues discussed by the Selected Organizations. Although it had been assumed by the drafters that labor would be "kept in the camp" by a true sales tax and a flat rate income tax, these positions had not been voiced by labor representatives. In fact, labor representatives were absent from many meetings of the Selected Organizations, and decisions were made by the other groups on the basis of what they thought labor wanted.

LEGISLATIVE ACTION ON REVENUE REFORM

The 74th General Assembly had opened shop on January 6, 1965, faced by two major issues--revenue reform and reapportionment. Both were chronic issues, aggravated by age and court decisions. Lack of agreement on reapportionment in 1963 threw the state into the political turmoil of an at-large election which resulted in the sweep of a 118-member Democratic slate in the House. Revenue reform "began 50 years ago," according to the Chicago Tribune,[47] and it has been a recurring issue ever since.

Despite efforts of the State Chamber of Commerce and the IAA lobbies to forestall the introduction of additional revenue amendment proposals, several were introduced early in the session.[48] One, in particular, was well publicized and given considerable attention.

Senator W. Russell Arrington, newly elected President pro tempore of the Senate, announced as early as December 18, 1964, that he would introduce a revenue article.[49]

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47 Chicago Tribune, January 3, 1965.

48 For a description of all the proposals introduced see: Illinois Legislative Council, Memorandum to: Representative Terrel E. Clarke (File 5-512, May 21, 1965).

49 Chicago Daily News, December 18, 1964.

The day before Christmas, Arrington introduced his five-point revenue "package"[50] which he had drafted in conjunction with Robert S. Cushman.[51] This proposal was based upon the multiple submission idea which Mr. Cushman had suggested to the Selected Organizations. It would allow voters to approve a noncontroversial "basic" article while voting separately on more controversial sections. The five additional sections were to be:[52]

1. Classification of personal property.
2. Classification of real property with the highest class being valued no more than three times the lowest.
3. Prohibition of an income tax.
4. Authorization of a flat-rate income tax not to exceed 3 per cent.
5. Authorization of a graduated income tax with a 6 per cent ceiling.

The amendment was worded so that approval of proposal three would nullify any approval of proposals four and five. Arrington's proposed amendment to Article IX was promptly introduced on January 6 as the legislature convened. This new approach to revenue reform was given a warm press reception. The newspaper accounts were filled with accolades of "fresh" and "imaginative."

The proposal was given a full hearing by the Senate sitting as a Committee of the Whole on January 12. After this, however, no immediate action was taken, and the Senate, either as a Committee of the Whole or as a body, made no decision on the proposal, probably in realization of the fact that much time and many other proposals remained.

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50 Chicago Daily News, December 24, 1964.

51 Chicago Sun-Times, December 24, 1964.

52 Chicago Daily News, December 24, 1964.

In the House, other proposed amendments to Article IX had been introduced. Only one of these, HJR 3, received widespread attention. This proposal, which simply said that the legislature has the power to levy whatever taxes are needed, was widely commented upon, and speculation was that this was the proposal backed by the Governor who had consistently stressed flexibility as a desirable goal of revenue reform. HJR 23, sponsored by Representative Charles Clabaugh (R., Champaign) made only one change, raising the limit on bonded indebtedness of school districts from 5 per cent to 10 per cent of its taxable property. HJR 30 was drafted by the Chicago Bar Association and handled by Harold Katz (D., Glencoe). This amendment was a thorough-going revision of the article, allowing classification of real and personal property and a non graduated income tax.

Several other revenue amendments were offered after the April 8 introduction of the coalition agreement but were not considered of much importance. Representative Morris introduced HJR 49 on April 29. This amendment provided for abolition of the personal property tax, an ungraduated income tax, and a homestead exemption for those over 65 with low incomes. HJR 53 was introduced by the Democratic leadership--Representatives Touhy, Choate and Elward--and provided for classification of all property. HJR 57 wanted only to exempt veteran's organizations from taxation along with educational, religious, and charitable organizations. Although none of these appear to have entered specifically into the bargaining over a compromise article, all represented ideas which had been expressed at various times and were in a sense competitive with the Selected Organizations draft.

HJR 26, sponsored by Representatives John Morris (D., Chadwick) and Terrel Clarke (R., Western Springs) was to have a great effect upon the outcome of revenue alteration in the 74th General Assembly. Introduced on March 3, HJR 26 provided for a joint legislative committee toprepare an amendment to the revenue article of the constitution. After its introduction, however, the resolution remained in committee until the impetus for action came from the interest coalitions.

HJR 40 and SJR 26

Initiative for revenue reform might be expected from three sources: major interest groups, the legislative leadership, or the Governor. Senator Arrington's proposal represented initiative from the legislative leadership in the Senate, but, lacking support from other sources, it made little progress in spite of the widespread and generally favorable press comment.

It had been rumored since the beginning of the session that the major interests were drafting their own version of a revenue article. The Chicago Tribune stated, early in the year, "that labor, business and industry, educators, farmers, civic and taxpayers organizations, and others are preparing their own proposals."[53] Introduction of the compromise article was held up in the hope that some effective dialogue and possibly an agreement with the Governor would be possible. It is not entirely clear why this did not occur, but some representatives of the Selected Organizations group have reported that they did not know who was advising the Governor on revenue matters and that it was impossible to enter into any meaningful discussion with the Governor's office on

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53 Chicago Tribune, January 3, 1965.

the matter. In any case, representatives of this group did not meet with the Governor on revenue matters between the indecisive meeting of February 23 and the introduction of the Governor's own proposals.

It was widely expected that the Governor's budget message would contain his proposals for changes in the revenue article of the constitution, but this message, delivered on March 31, made no mention of the matter.[54]

On April 8, the Selected Organizations, having failed to win an indication of support from either the Governor or the leader of the Senate, launched the compromise proposal by having it introduced in both houses of the General Assembly. Representative Redmond and Senator Laughlin introduced HJR 40 and SJR 26, respectively. With these introductions the wheels of revenue change began to roll with direction. On April 21, the House adopted the Clarke-Morris proposal for a special Senate-House committee to work out a proposed amendment to the revenue article. The Senate adopted this resolution five days later.

On May 5, the Governor presented his proposal and it was introduced as HJR 53 on the following day. It exactly paralleled the wording and form of HJR 40 and SJR 26 at many points, but there were very important differences:

1. The Governor's proposal permitted classification of real estate based upon characteristics of the property but not upon characteristics of the owner. A further limitation was that the highest ratio of assessed value to market value of any class of property would not be allowed to exceed three times the ratio of the lowest assessed class of property. Real estate classification had not been mentioned in SJR 40.

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54 Text of Governor Kerner's Budget Message, Illinois State Register, March 31, 1965.

2. The Selected Organizations draft provided specific authority in section 2 for the levy of sales and use taxation. HJR 53 did not contain this section.

3. The Selected Organizations draft specifically authorized a limited, flat-rate income tax. HJR 53 made no specific mention of an income tax, but the section authorizing classification of personal property contained the phrase, "Income shall not be considered property for classification purposes." In light of the Supreme Court's holding that income is property in the Bachrach case, some observers felt that this phrase might be interpreted as overruling that case and removing a major roadblock to an income tax.

At this point, everyone's cards were on the table. Arrington's proposal had been introduced early in the session. The major interest groups had hammered out a compromise which had been introduced as HJR 40. The Governor had accepted the form and wording of this proposal at many points, but his proposal differed on three major policy questions. Emphasis now shifted to the attempts to reconcile these proposals and action centered in the special joint committee which had been created to bypass the regular committee system in each house in favor of a group of respected revenue experts from both houses. With only one task and no set customs, the group was free to expedite the recommendation of a revenue article.

Legislative Joint Committee

As the joint legislative committee was taking shape during the early part of May, the outlook for revenue reform as judged by a leading legislative correspondent was: "Miserable. The House but not the

Senate will pass Kerner's article. Business and industry carry a big stick in the Senate, and despite the sound and fury, the present article is not too burdensome on them."[55]

Although business, agriculture, education, and labor had made the way to agreement much smoother by their compromises, many tasks remained to be done. Public groups and other private groups not included in the Selected Organizations were sure to seek access through the joint legislative committee to press for changes favorable to their interests. Also, there was time for second thoughts among the leadership of the organizations who had supported HJR 40 and SJR 26 in principle. The fact that they were supporting in principle was stressed by the leadership of some and indicated hesitancy to finalize the compromise. Finally, the members of the committee and other members of the General Assembly would have to be accommodated. Many influential members had long-standing views on revenue that would have to be considered in any compromise. Also, time before the June 30 adjournment date was growing short. Arriving at complicated compromises often takes a great deal of time as each lobbyist must check his agreements with his organizational leadership, and legislators bargain for votes among their colleagues.

The membership of the joint legislative committee[56] represented some of the most respected members of each house in matters of taxation and revenue. Both Senator William C. Harris (R., Pontiac) and Senator Everett E. Laughlin (R., Freeport) had served on the 1963 Commission on

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55 Henry Hanson, Chicago Daily News, May 1, 1965.

56 Not to be confused with the business coalition termed the Joint Committee.

Revenue. Senator Arthur W. Sprague (R., LaGrange) was a long-time member of the Senate and was serving in the 74th General Assembly as chairman of the Judiciary Committee and vice-chairman of the Revenue Committee. Senator Robert W. McCarthy (D., Lincoln) had a general interest and knowledge in tax procedures. Although only a freshman, Senator Thomas Lyons played a key role in the committee proceedings as the representative of Cook County's interests in classification of real property. Senator Lyons, an attorney, had, before his election, represented the Cook County Assessor's Office and was well aware of the pressure on Cook County as a result of the railroad cases and the chaos that would result if classification were to be abolished.

Several House members of the joint committee had served on the 1963 Commission on Revenue. Representatives Morris, Elward, Clarke, and Loukas had all been members of that commission, and all had continued their interests in revenue and taxation. Representative James Loukas (D., Chicago) was an accountant who had specialized in taxation matters and often handled the administration's tax bills. He was a former employee of the State Department of Revenue and was well acquainted with Illinois taxation. Representative Paul Elward (D., Chicago) was Majority Whip in the 74th General Assembly and had been a member of the so-called "economy bloc" in earlier sessions which had supported economy in state government. Representative Morris had consistently interested himself in matters concerning agriculture (he himself was a farmer). He had close ties with the Illinois Agricultural Association, especially on revenue reform. His stand on revenue reform was that the personal property tax should be abolished to provide relief for the farmer and that an

income tax was desirable to equalize the tax burden. Representative Morris had served for several sessions as the chairman of the House Revenue Committee. Representative Clinton Youle was a first-term legislator whose views on revenue were as yet unknown, but who had been personally popular with his colleagues. Representative Terrel Clarke had long been active in attempts to amend the revenue article, generally sponsoring pro-business or business-sponsored amendments. Clarke had not only served on the 1963 Commission on Revenue but had also been chairman of the committee meeting during the 73rd General Assembly (1963) which was to recommend an amendment but failed to reach any agreement in time for legislative action.

The committee, organized on May 12, 1965, elected as officers: Representative Terrel Clarke, chairman; Senator Robert McCarthy, vice-chairman; and Representative James Loukas, secretary. The first substantive meeting took place on May 17, 1965, when the committee agreed to talk about the classification of personal property. After a general discussion among the members of the committee, it was clear that there was a consensus in favor of the classification of personal property, but a difference of opinion revolved around the question of the abolition of the personal property tax.

The question of multiple submission was discussed at the May 24 meeting of the committee and was debated on several occasions thereafter. Senator W. Russell Arrington appeared at this May meeting to defend the multiple submission form. At this time, he urged the committee to consider the extensively revised version of SJR 1 which had incorporated much of the

wording of HJR 40 and which had been trimmed to three basic proposals.[57] At this same meeting, Robert S. Cushman, co-drafter of SJR 1, appeared to urge the committee to accept the multiple submission approach. The reception from the committee was at least open-minded if not favorable. Later meetings revealed that Cook County members tended to support the idea of multiple submission, whereas downstate members did not, preferring a single "package." The minutes of the June 8 meeting show that: "Representative Elward stated that it was his feeling that the public now, and in 1966, is against any tax and that he felt that putting the whole proposition in one package was going to endanger the whole Article. He felt that the people personally were opposed to an income tax proposal." The matter of multiple submissions was given a further boost when Terrel Clarke announced that the Governor seemed to prefer the classification of real and personal property as one proposal and any income tax proposal as another.[58]

The movement toward multiple submission was halted by firm resistance from the Selected Organizations and downstate legislators. The interest groups felt that for their compromises to stand, a "package" presentation was needed, since it would insure unity during the campaign. Downstate strategy was summed up by Senator Everett E. Laughlin who "stated that nobody wants a revenue article more than he did, but that if he was going to buy anything it was going to be package. . . that if

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57 The three proposals were: (1) A basic article authorizing classification and exemptions of personal property; occupation, sales, use, privilege, and franchise taxes on a non-graduated basis; and "in lieu" tax on motor vehicles, (2) authorization of classification of real property, and (3) authorization of a flat rate or graduated net income tax.

58 Minutes of meeting of June 17, 1965.

Cook County was going to get something in that package, then he wanted something in return in the nature of an income tax, etc."[59]

As the meetings proceeded it became apparent that the committee would work with the interest groups' draft and that new compromises would be incorporated into the basic framework of HJR 40. Norman Beatty, Paul Mathias, Emerson Chandler and others who had been influential in drafting the compromise article were in almost constant attendance at the meetings and participated freely in the discussion.

There was little disposition to challenge the principles of a limited income tax which was basic to the interest group compromise. Aside from E. Edgerton Hart, representing the Illinois Manufacturers' Association, who called for a prohibition of any income tax in the proposed amendment,[60] no one appeared to have challenged this compromise. Whereas some groups such as the State Chamber of Commerce and the Chicago Association of Commerce and Industry would have preferred no income tax, they made it clear that they would accept a flat rate income tax as part of the compromise.

There was, however, some discussion of the conditions under which an income tax would be permitted. The IAA seemed quite content with the provision as it was written in HJR 40. Paul Mathias testified before the committee "that they would like to see an income tax adopted, which would broaden the tax base and thereby bring in sources of revenue which are now escaping--that they would like to see a limit on the state income tax, however, as they realize that there was some fear among

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59 Ibid., June 21, 1965.

60 Ibid., June 1, 1965.

some of the people that in the future, the income tax rates might become quite excessive."[61] Business groups who had participated in the Selected Organizations were willing to go along with this proposal even though their past policies had not favored an income tax.

Among legislators, opinion was somewhat more varied. Representative Loukas stated that he preferred no limit, although he could go along with a referendum requirement after the first 3 per cent. Some of the downstate legislators such as Representative Morris and Senator Laughlin found the provision for the income tax more palatable when it was coupled with the abolition of the personal property tax.[62]

A decision to require abolition of most kinds of personal property taxation after adoption of an income tax was arrived at in a series of stages. The starting point was the decision to abolish taxes on household goods and to permit "in lieu" taxes on automobiles. Legislators also agreed that intangibles would not be taxed and it was decided to make the proposal more acceptable by requiring abolition of this tax. Farmers and businessmen who also pay large personal property tax bills desired the exemption of their personal property and, to insure their support, legislators went along. This left only the residual category "all other tangible personal property" which would remain eligible for taxation after imposition of an income tax. This "sweetner" appears to be the only major provision in the final draft that originated with the committee itself rather than with the interest groups or the Governor.

Senator Harris and Representative Morris then pointed out that in making the abolishment of personal property taxes mandatory, a good

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61 Ibid.

62 Meeting of June 11, 1965.

case could be made for taking off the referendum at 3 per cent. It was pointed out by Clarke and others, however, that this would make the article harder to sell, especially to business interests. A compromise was then worked out whereby the ceiling was raised to 6 per cent but the referendum requirement remained constant at 3 per cent.

There is sharp contrast between the relative ease with which the committee settled problems dealing with income and personal property taxation and the difficult, time-consuming debate over the classification of real property. There had been no prior compromise over this matter because no proponent of real property classification had been included in preliminary negotiations.

Principal proponents of real estate classification were Cook County governmental interests who were concerned that the present de facto classification not be upset, and the Governor. The reason for the Governor's insistence that the legislature be given power to classify real property is not entirely clear. In part, of course, it represented the normal response of a Democratic Governor to the wishes of the powerful Democratic organization in Cook County, but there is also reason to think that he believed, probably wrongly, that real estate classification would contribute greatly to solving the revenue shortage.

The Cook County viewpoint found ready access on this issue when it entered the legislative arena since many members of the legislature owe their position in that body to sponsorship by the Cook County Democratic organization. On the joint legislative committee the Cook County viewpoint was ably championed by Senator Thomas Lyons whose experience as a legal representative of the Cook County Assessor's Office made him well qualified for this role.

Members of the committee found that their views were far from homogeneous. Those from Cook County generally wanted to preserve the de facto classification because the chaos of reassessment could be deadly politically as well as economically, regardless of party. Generally, however, Cook County legislators had little real commitment to statewide classification except as a bargaining point to gain classification in Cook County. As Senator Sprague, a Cook County Republican, said, "I am for what downstate wants for downstate. We have to have it [classification] in Cook County."[63]

Downstate legislators, on the other hand, were generally unfavorable toward classification of any kind, although they were eventually ready to allow it in Cook County. Their rationales ranged from an unwillingness to put the counties officially on different footings to the unrealiability of assessments by untrained assessors under classification systems.

At every meeting of the committee, the issue of classification of real property was raised. Lobbyists from the major interest groups as well as Representatives Loukas, Clarke, and Senator Lyons had several meetings with the Governor or his assistant, Chris Vlahoplus, during which the compromise was gradually worked out. The Governor receded from his position in favor of statewide classification by degrees--first to counties of 100,000 and finally to classification for Cook County only. At this point, the Board of Directors of the State Chamber of Commerce authorized their representative, Norman J. Beatty, to accept classification in Cook County as the compromise. Senator Lyons and Beatty worked out the language, and it was inserted in the draft as section 13.

The work of the joint legislative committee represented, in a real sense, a continuation and broadening of the wok of the Selected Organizations.

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63 Minutes of Meeting, June 21, 1965.

The committee had no staff of its own and depended heavily upon the Selected Organizations for both research and drafting assistance. The State Chamber of Commerce was most active in this regard and prepared several studies of the probable effects of classification and the yield of various tax alternatives. The Illinois Agricultural Association was also active in providing information to the committee.

Some interests who were not active at the time the committee was meeting were later to claim that the committee met in secret. This is not strictly true since notices of meetings were posted on the legislative bulletin boards and no one who wished to attend the meetings was excluded. On the other hand, it is certainly true that there was little publicity surrounding the meetings and that the number of groups who were represented before the committee was not greatly broadened from those involved in the development of the Selected Organizations draft.[64] Often the hearings were held on rather short notice at odd hours when the committee members could snatch time from their hectic schedule. Many times in the closing days meetings were held far into the night. It is not an exaggeration to invoke the image of the smoke-filled room where politicians and lobbyists worked in shirt sleeves to hammer out compromise. Many groups which might ordinarily have interested themselves in the matter were busy with reapportionment and other matters of vital interest to their organizations. One lobbyist said that his organization was amazed to find after the session that there was to be a revenue amendment on the ballot in 1966. Although any exclusion which occurred was self-exclusion, caused by lack of staff or a tendency to deem

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64 One exception is that Mrs. Peggy Norton, representing the PTA, appeared as a witness to pledge support for an income tax and to plead for a simple article that could be "sold" to the public. Minutes of meeting, June 1, 1965.

revenue revision as a lost cause, it is clear that these circumstances were potential sources of later hostility to the proposal.

A second effect of the hurried, semi-secret nature of the committee actions was the last minute addition of phraseology, intended to clarify or to protect a specific interest, which resulted in ambiguities and inconsistencies. These later became of concern to potential supporters of the proposed amendment.

Passage of the Amendment

The crucial agreement on classification was reached on June 28. At 1 a.m., June 29, the committee voted unanimously to report the article. Final amendments were hurriedly sketched out and rushed to the Legislative Reference Bureau for drafting.

When the news leaked out that an amendment was to be proposed to the General Assembly with all categories but one of tangible personal property exempted if an income tax were enacted, protests arose from the business community, especially from the public utilities and other owners of industrial machinery. Many contacted Mr. Beatty of the State Chamber of Commerce who spent the day of June 29 listening to complaints. It appeared that the efforts of over a year might be lost at the last minute unless something could be done to stem the tide of opposition.

Meanwhile, Representative Terrel Clarke, Chairman of the special committee, presented the proposed constitutional amendment (HJR 71) in the House and moved adoption at 2 p.m. Representatives Abner Mikva and Bernard Peskin had gotten a draft of the article at 11 a.m. that morning and were uneasy about many of the provisions. Therefore, when Clarke

moved adoption early that afternoon, Representative Peskin asked Speaker John P. Touhy for additional time to study the amendment and got a postponement until after supper.

During the supper break, the House was the scene of feverish activity. Peskin went up to his office with Representatives Adlai Stevenson III, James Moran, Marvin Lieberman, and Abner Mikva. These legislators belonged to the more liberal wing of the Democratic Party and had consistently supported a graduated income tax and a more "flexible" revenue article giving the legislator the power to levy whatever taxes are needed. They were concerned that the article was too restrictive and also about ambiguities in the drafting.

Representative Peskin also talked with the Governor during the break and pointed out to him that there were grave doubts that the article would actually do what its backers claimed. Although the Governor seemed somewhat surprised, he said nothing other than that he would talk with some of the committee members. The conference left Peskin with hope that the amendment would not have the Governor's support. Evidently, however, committee members were persuasive. As the House reconvened after supper, the proponents of the amendment announced the Governor's full support of the article.

As the House considered the amendment, its proponents had to fight a battle with the conservative members. Led by Representative William Pollack (R., Chicago) these members wanted to amend HJR 71 to prohibit all income taxation. This amendment attempt was beaten back with all committee members defending the article. The major defense against both liberal and conservative attacks was that the amendment had been agreed to by the major interests and by respected members of the House and that it was the best compromise possible.

The final House vote on the amendment was 143 for and 18 against the amendment. Of the 18 in opposition, 13 were liberal Democrats, subscribing to Peskin's objections, and 5 were conservative Republicans who objected to any provision for an income tax.

Victorious in the House, HJR 71 moved to the Senate where its path was somewhat less certain. Sponsorship was the initial problem when Senator Arrington refused to be the principal sponsor. Senator Arrington did say that he wouldn't offer vigorous objection, thus assuring the proponents of HJR 71 that they would not have to fight the President pro tem.

Senator Laughlin, who agreed to sponsor the joint resolution, faced a fairly amicable Senate until business leaders began contacting legislators to protest the failure to exempt machinery along with other tangible personal property. Before the machinery exemption question caused a stir, Laughlin was reasonably assured of at least the 39 votes needed for passage. He could count on all 23 Democratic votes and 16 Republican votes, six Republicans were against and 10 were uncommitted.[65] Senators Bidwill and Mitchler, who had been among the 16 favorable Republicans, were much perturbed by the business opposition and said they could not support the amendment if the exemption were not straightened out. As a result, Norman J. Beatty and Senator Laughlin roughed out two amendments--one exempting machinery along with all other tangible personal property and another making some technical changes which were intended to make it clear that the inheritance tax was exempt from the

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65 Interview, March 28, 1966.

"non-graduated" provisions and that exemptions from the sales tax were permitted. These amendments were accepted by the joint legislative committee and put into final form by the Legislative Reference Bureau.

In spite of Senator Lyons' opposition to exempting machinery, the amended proposal was accepted by a 46 to 7 vote at 11 a.m. on June 30. Unlike the House where the majority of "no votes" came from the liberal Democrats, all negative votes in the Senate were cast by Republicans who wanted a prohibition of an income tax. Senator Arrington voted present, emphasizing in a strong speech the futility of presenting an income tax provision to Illinois voters.

The House quickly concurred in the Senate amendments, and the battle for legislative approval was over.

THE CAMPAIGN FOR PUBLIC ACCEPTANCE

The Lull Before the Storm

After the legislature adjourned on June 30,[66] a period of seeming quiet settled about the proposed revenue amendment. Those legislators who had not been able to read the resolution before they voted on it, packed it away in file drawers. The referendum vote would not be held until November, 1966, so the furor of campaigning was many months away. Proponents of the amendment would not begin pushing until a few months before the election--and, in the summer of 1965, there was no organized opposition. The whole drive to amend the revenue article was in a state of suspended animation, at least on the surface.

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66 The date was really July 1, but legislative clocks had been stopped so that any bills passed would take effect on July 1, 1965, rather than July 1, 1966.

Beneath the surface, however, currents were quietly changing. A chain of events which were to be crucial in the campaign in 1966 was set off soon after the legislative session ended by Representative Abner J. Mikva, one of the liberal legislators who had opposed the amendment in House. He was not satisfied with the article, either as policy or as legal workmanship. As a consequence, he requested that Professor J. Nelson Young of the University of Illinois Law School write his observations of the article.

Professor Young, a proponent of a liberal interpretation of the present revenue article, finished a draft of these observations and sent them to Mikva in a letter dated September 22, 1965. These observations amounted to a very critical view of the proposed amendment. In many instances, Professor Young confirmed criticism sketched out by the liberal House Democrats before the floor debate on June 29. Young's conclusion was that "In my judgment, the proposed amendment is a backward step in the search for a satisfactory revenue system."[67]

This conclusion was based on several objections. As a matter of policy, Young felt that the legislature should have more discretion in such areas as setting the classes for tangible personal property, deciding rates and exemptions on excise taxes, and setting rates of the income tax. Professor Young also felt that there were drafting ambiguities which could lead to serious problems for the present and future revenue systems of the state. First, in delimiting legislative authority to levy excise taxes, the proposed article adopted the language "uniform as to the objects and subjects taxed,"[68] rather than the language of Article IX "uniform as to the class on which it operates."[69] In Professor Young's opinion this change in wording would signal a change in intent to the courts and might result in nullification of the rate scale

[67]Letter to Abner J. Mikva , September 22, 1965.
[68]HJR 71 (1965).
[69]Constitution of the State of Illinois (1870), Art. IX, sec. 1.

of the inheritance tax which provides different exemptions and rates for different degrees of relation between the beneficiary and the deceased. Also, Professor Young pointed out that the wording in Section 2 might very well nullify any attempt to make exemptions under the true sales tax, provided for in Section 2 of the proposed article.

Professor Young was opposed to the limitation on the income tax which specified that it must be "nongraduated and shall be imposed uniformly upon persons and corporations."[70] This would have taken away the legislative authority to impose a separate corporate franchise tax, measured by income which is permissible under the present article. Also, there were no exemption provisions noted in ection 2, an omission which could cast doubt on exemptions from the proposed sales tax.

One drafting error which was to cause quite a bit of discussion and concern occurred in the provision to return "not less than 1% of any such income tax"[71] to local units of government in place of the personal property tax, if it were abolished. Although the intent of the drafters was admittedly to provide a minimum refund equal to the yield of a one per cent rate (or 1/3 of a 3 per cent tax), this provision set a much lower minimum of one per cent of the tax.

Finally, Professor Young found great fault with section 13 of the proposed article, which was drafted to allow continuation of the Cook County classification program. Personally, Young did not favor classification because of inequities in assessment and because of possible discrimination against downstate counties in the distribution of state aid. Legally, Professor Young was not certain that it could be proven

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70 HJR 71 (1965).

71 Ibid.

in a court of law that any classification system was in existence as of January 1, 1965, since the present Constitution clearly outlaws classification and there was no legal recognization of the existence of a classification system or proof of what the system was.

Several more critiques of the proposed amendment were eventually forthcoming, including another by J. Nelson Young to appear in the Illinois Bar Journal, but his letter to Mikva was influential in generating much discussion over the merits of the article and in changing some opinions. The critique by a well-respected professor of law gave critics of the article an authoritative source of arguments against the proposed amendment. Besides being logical and cogent, the letter was brief, to the point, and eminently readable, qualities not always present in critiques covering matters as technical and difficult as the revenue article.

Representative Mikva circulated copies of the letter to several people with some success in influencing their opinions and generating reactions. Mikva sent a copy of Young's observations to Lester Asher, General Counsel for the Illinois Federation of Labor and Congress of Industrial Organizations. This letter buttressed misgivings felt by several labor officials regarding the proposal. A number of labor leaders had been disgruntled by the failure of the drafters to provide for a graduated income tax and these misgivings were heightened when they saw the possibility, outlined by Young, that there would be no exemptions from the sales tax. Mr. Asher also was in touch with Joseph Germano and John Alesia of the United Steelworkers who were also concerned about the article and its relationship to past labor stands on taxation.

Clearly, there was cause for some embarrassment on the part of labor spokesmen since the president of the state AFL-CIO had attended

some of the Selected Organizations meetings and a representative of the Federation had told the joint legislative committee that he approved of the proposal in principle. Proponents of the proposal had not been contradicted when they told the legislature that labor approved the proposal. The embarrassment was heightened by the fact that failure to support compromises made by a lobbyist can weaken his position in future negotiations. Nevertheless, the Report of the Executive Board to the Annual Convention of the AFL-CIO pointed out that:[72]

> Much publicity was given to the story that the State Organization fully supported the proposal [the proposed revenue amendment]. The fact is that the principle only was given approval by our President in April in order to get something started inthe Legislature. At that time, it appeared hopeless that the General Assembly would act in this field. Any news item which implies that the State AFL-CIO is pleased with the proposed New Revenue Article is not true.

The statement went on to say that there was ample time to consider the issue before the 1966 convention, which would be held scarcely a month before the November election. Such a noncommittal stance warned proponents of the amendment that labor's help would not be forthcoming as had been hoped.

Another person to receive a copy of J. Nelson Young's letter was Norman J. Beatty, who in turn passed it on to Richard L. Wattling who, along with Beatty, had drafted substantial portions of the amendment. Wattling wrote a rebuttal and began a correspondence with Young consisting mainly of debates on policy issues and "nice" points of legal interpretation. Neither were ever settled to the satisfaction of either

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72 October 4, 1965, pp. 51-52.

party. The correspondence did, however, make known to the proponents the kinds of arguments which were being leveled at the article, as well as giving them a chance to work out rebuttals against them.

Shoring up the Proponents

The first moves toward organizing the campaign for the article came in the summer of 1965, almost immediately after the session was over. Mr. Beatty contacted Alan Jacobs of the public relations firm of Bozell and Jacobs and discussed his availability to handle the campaign. Bozell and Jacobs had been the first firm to apply public relations techniques to a constitutional amendment campaign in Illinois. In 1950, Mr. Jacobs worked on the Gateway Amendment and since then has worked on every revenue amendment, usually on the side of the opposition. When Mr. Jacobs was approached, he was told that he would have a budget of perhaps one-half a million dollars, since it was expected that businesses benefiting from the proposal would be willing to support it substantially.

Mr. Jacobs accepted the responsibility of running the campaign and counseled almost immediately that the proponents begin to contact the heads of important organizations. He argued that while it was too early to contact the general public, it was not too early to make sure of organizational support of the heads of the important interests. In this way, he urged, a pyramidal system of communication would be built up so that support for the article could filter down through the organization. Although some other members of the proponents agreed with this, the majority wanted to wait for some action on the Governor's part. They felt that this was necessary to avoid offending the Governor or appearing that they were trying to run the campaign without gubernatorial support. They knew that the article had a very poor chance of passage without the Governor's endorsement.

In early December, as rumors were spreading that the Steelworkers' Union was going to oppose the amendment, several proponents again expressed the opinion that the interested parties should be called together and pressed for definite support. Of particular concern were "civic" organizations such as the P.T.A. which had not been included in the Selected Organizations but whose support was crucial for a successful campaign. Again, however, action from the Governor was awaited.

Finally, in early March the Governor began conferring with representatives of the Selected Organizations as to the best choice for the chairmanship of the Governor's Citizens Committee.[73] During these discussions, Mr. Harley McNamara's name was often mentioned by the Selected Organizations. On March 28, 1966, the members of the Selected Organizations received a telegram from Governor Kerner which said that he had decided Mr. McNamara was the man for the job:

> SPRINGFIELD ILL MAR 25 1966 NFT
>
> SUBSEQUENT TO OUR MEETING ON MARCH 11TH, I HAVE DECIDED THAT MR. HARLEY V. MCNAMARA IS BEST EQUIPPED TO LEAD THE CITIZENS CREW IN SUPPORT OF THE REVENUE ARTICLE AMENDMENT. MR. MCNAMARA IS THE FORMER PRESIDENT OF NATIONAL TEA COMPANY. I WILL BE IN TOUCH WITH YOU REGARDING FURTHER DEVELOPMENTS IN THE CAMPAIGN FOR ADOPTION OF THE ARTICLE.
>
> OTTO KERNER GOVERNOR

Many who received the telegram assumed that the Governor had already asked McNamara and had received his acceptance. Some newspapers also reported that Mr. McNamara was to be the head of the Citizen's Committee. These impressions and reports were not only false, but were embarrassing, since McNamara had not accepted but had only agreed to think about the offer. In fact, he refused the chairmanship and later opposed the amendment.

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[73] During the campaign, there were to be two "citizens' committees." One, appointed by the Governor, was largely to give a "citizen flavor" to the campaign. The other was incorporated, made up of representatives of interest groups and received donations. It was the original intention that the incorporated group should serve as the board of directors of the group appointed by the Governor, but during the campaign there was some confusion as to the status and role of each group.

To avoid any further embarrassment, Mr. William J. Crowley, a vice-president of Northern Illinois Gas Company and former chairman of the State Chamber's State and Local Tax Committee, was approached quietly, and his acceptance was announced immediately.

In April, the organizational framework of the proponents campaign vehicle began to take shape, even though Mr. Crowley was to be in Ireland the three weeks following his appointment as chairman of the Governor's Citizen's Committee and the incorporated committee. During April, the Governor appointed Dale Yung, of his office, to maintain liaison with the Citizen's Committee.[74]

During April, the Committee discussed the possibility of getting Congress to pass a special law making contributions to the campaign tax-exempt. Although this had been done for contributions to the campaign for the judicial article, so many requests had been received since then that Congress had defeated every proposal for tax exemptions of this sort. Because of this, both Senator Douglas and Senator Dirksen advised the Committee that to attempt to pass such legislation would only anger several senators whose requests had been denied.

The Citizen's Committee met on May 11, 1966, with Crowley absent. Present at the meeting were the Selected Organizations regulars: Emerson Chandler (State Bar), John Cox (IAA), Preston Peden (Chicago Association of Commerce and Industry), Ed Stoetzel (Central Illinois Industrial Association), Wayne Stoneking (IEA) and Joe Meek (Retail Merchants). Also present was Dale Yung, the Governor's liaison. At this meeting, many of the organizational details were settled. A tentative budget of

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[74] Interview, March 29, 1967.

$300,000 to $500,000[75] was adopted. Beatty was given authority to rent an office in Riverside Plaza and to engage formally the public relations firm of Bozell and Jacobs. Already there were organizations in process of development in every county, supervised in the rural counties by the IAA and in the urban areas by the State Chamber of Commerce. (See Chart 1 p. 98) The internal structure of both statewide and county committees was broken down into five subcommittees: Public Relations, Organizational Contacts, Finance, Research, and Education.

On May 27, 1966, the Citizen's Committee met again to discuss the campaign. By this time, the Governor had appointed 100 civic leaders from all parts of the state to his committee. These appointments had been made largely from names suggested by interested representatives. An important internal decision made at this meeting was to designate John Cox, Norman J. Beatty, and William J. Crowley as an operating committee who could make decisions in the absence of the larger group. Appointment of Beatty and Cox was appropriate since the Illinois Agricultural Association and the State Chamber of Commerce were by far the most active participants in the campaign for the amendment. The IAA had 19 staff people working full time during the campaign, supervising the county organizations. The energy of Norman Beatty also contributed much to the campaign, as he worked ceaselessly for the article from the time it was passed in the legislature.

One June 13, the Governor met with the proponents. At this time the operating budget, including advertising, was announced to be about $115,000[76] -- a far cry from the $500,000 widely predicted at the beginning

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[75] Tribune, April 20, 1966.

[76] Interview, March 29, 1967.

of the campaign. Behind this large drop in expectation lies an interesting story of internal politics and the perils of compromise.

It was well known that not all groups represented in the Selected Organizations were as enthusiastic about the resulting amendment as were the State Chamber and the IAA. These organizations did not have much difficulty accepting the compromises agreed upon. As other groups got closer to the left or to the right in their political and economic views, it became harder and harder for them to accept the compromises. This was particularly true of the more conservative business groups whose members were ideologically opposed to an income tax. No matter how favorable the other conditions and how little likelihood that an income tax would be enacted, organizations such as the Illinois Manufacturers' Association found it impossible to support any article allowing an income tax. It must always be remembered these representatives were lobbyists, in almost every instance, and the lobbyist of an organization is almost certainly able to accept compromise more easily than the members who have been "sold" the same line of policy by the organization for a period of several years, and who view matters of taxation in oversimplified patterns of black and white.

The latent opposition of the IMA posed a double problem for the Citizen's Committee. Financially, the contributions from the large corporations which are members of the IMA were lost, undoubtedly accounting in large part for the reduction in the budget. Active opposition of the IMA could have split business support. Thus, it became important for the Committee to keep the IMA at least neutral. Inclusion of the Central Illinois Industrial Association among the active proponents helped in this regard since there was much overlap of membership and interest.

Three other meetings of the whole committee were held during the summer of 1966, as campaign materials were prepared and reviewed by the committee. At least once a week, Crowley, Beatty, and Cox met with Al Jacobs to discuss progress in the campaign. Although the committee was well pleased with the materials prepared, they were chagrined to realize that they had insufficient funds to distribute them very widely. Although some of the county organizations had funds, such funds were limited and most materials were given gratis to the counties.

Late in July the campaign was officially kicked off at a banquet for the "Committee of 100" at the Executive Mansion. This was well covered by the press and was the only occasion on which the Governor's committee functioned as a unit, although some individual members cooperated with the county organizations.

A Legitimate Opposition

It is almost certain to be the opposition, not the support, which makes or breaks a constitutional amendment in Illinois. It has been true in Illinois that to win a constitutional amendment campaign has to assume the characteristics of a crusade, with all the "good guys" for the amendment. Only in this way can a campaign overcome the tendency shown by the Illinois electorate in past elections to avoid change. Opposition by even a few influential individuals or groups can destroy the crusade-like character of the campaign and confuse the public as to the merit of the amendment. This is especially true of an amendment in a technical and complex field such as taxation where people have to rely on endorsements of the article by groups in which they have faith.

The revenue amendment lost its luster as groups announced their opposition. One of the first announcements came on December 24th when Representatives Mikva, Peskin, Moran, and Stevenson charged in a press release that the "proposed Revenue Article would be less clear, more restrictive, more regressive, and the source of even more difficulties than our present article."

On February 1, 1966, the announcement was made that the United Steelworkers would oppose the amendment because it was not in line with past labor policies on revenue. This statement was followed on March 5 by an announcement that the Executive Board of the State AFL-CIO had voted to oppose the amendment and to recommend to the October convention that the entire organization oppose the amendment. The March issue of The Illinois Realtor also urged members not to support the amendment since it provided no relief for real estate.

Another series of major blows to the success of the amendment came in the spring and summer of 1966. On April 22, the Illinois Congress of Parents and Teachers (P.T.A.) in convention voted to oppose the revenue amendment citing inequities, uncertainty about the one per cent provision for rebates to local governments, and dissatisfaction with the bonding provisions.[77] The P.T.A.'s defection from support of the article[78] was important for two reasons. First, the image of the P.T.A. held by the public is one of prestige and honesty, and second, the P.T.A. has a large membership which cuts across social and economic lines.

Of significance to liberal elements was the editorial position taken by the Independent Voters of Illinois, the Illinois chapter of the

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[77] Decatur Herald and Review, April 23, 1966.

[78] Many legislators understood the P.T.A. was supporting the amendment, although no official position had been taken by the organization.

Americans for Democratic Action. In a front-page editorial in The Bellringer entitled "Soak the Slobs," Charles V. Schlesinger and John Kearney pointed out the regressivity of taxation that the amendment would foster and the special interest purposes which it would serve. Another blow to the hopes of the proponents was the June 17 announcement by the League of Women Voters that they would, on the basis of the membership consensus, oppose the revenue amendment. Still more opposition came from the Municipal League, an organization representing almost every city and village in the state.

Even with these declared opponents it was not until August that an organization was formed specifically to oppose the amendment. The first step toward organization came in August at a luncheon meeting at the City Club of Chicago where Jack Beatty presented his view of the revenue amendment. This meeting was followed by another at the Standard Club hosted by Louis Ancel, a prominent municipal attorney, where the idea of an opposing organization to fully legitimize the opposition was worked out. Although these opponents were, by this time, fairly sure that the amendment would be defeated, they were concerned lest the public and the legislature think the article was defeated because it permitted an income tax. It would be the purpose of the opposing group to present other arguments against the amendment such as ambiguous wording and undue restrictiveness.

Originally some of the members of the opposition were not representing their organizations but were rather participating as individuals, pending the formal announcement of support or opposition by the governing groups of the organizations. Those who were participating at an early stage were: Mrs. Peggy Norton (P.T.A.), Louis Ancel and Edward M. Levin (law firm of Ancel, Glink, Stonesifer, and Levin), several representatives of the League of Women Voters, Elroy Sandquist, Jr. (a prominent Chicago

Republican and attorney), Lester Asher (general counsel for the State AFL-CIO), and Arnold Flamm (attorney). Help and support was also received from J. Nelson Young, author of the influential letter to Abner Mikva, and several legislators who had opposed the revenue amendment in the General Assembly. None of these legislators were active in the Defeat the Revenue Article (DRA) organization, however, since most of them were engaged in active campaigns either for reelection or for election to higher office.

The first problem tackled by the group was to find a chairman for the group who would be a leader, would bring publicity to the effort by his name and position, and would attract contributions. One prominent Chicago businessman and some-time politician refused because the group could not promise him a specified budget. Although other contacts were made, no chairman was ever found and the group continued without a formal leader throughout the campaign.

Money was a continuing problem. From all sources, the opponents could raise only $10,000. The League of Women Voters offered space in their Chicago office and the telephone manned alternatively by League and P.T.A. members.

On September 20, the Defeat the Revenue Article organization was incorporated with the following Board of Directors:

Edward Allen - Superintendent of Schools, Belleville
Louis Ancel - Attorney, Glencoe
Lester Asher - General Counsel, State AFL-CIO
John Desmond - President, Chicago Teachers Union
Arnold Flamm - Attorney, Chicago
John Kearney - Director, IVI
Mrs. Walter Kimmel - President, Illinois Congress of Parents and Teachers
Leonard Kramp - Illinois President, National Farmers Organization
Mrs. Ezra Levin - President, League of Women Voters
Eugene Maynard - Former Supervisor, Property Tax Division, Department of Revenue
Richard E. Richman - State's Attorney, Jackson County
Howard R. Sacks - Professor of Law, Northwestern University
Elroy C. Sandquist, Jr. - President, City Club of Chicago
A. L. Sargent - Executive Director, Illinois Municipal League
J. Nelson Young - Professor of Law, University of Illinois

Both the Chicago Bar Association and the Illinois State Bar Association split badly over the question of supporting the proposed amendment and neither played an important role in the campaign.

The Chicago Bar Association appointed a special subcommittee to study the proposed amendment and to offer a recommendation on it. The subcommittee was composed of seven members of the State and Municipal Taxation Committee and the Constitutional Revision Committee and was chaired by Professor Howard Sacks, Chairman of the latter committee. This subcommittee studied the article and wrote a lengthy recommendation against the amendment, citing various drafting errors and ambiguities. This report was adopted unanimously and was signed by all members of the subcommittee. Procedural rules then called for the report to be submitted to both the parent committees and then to be presented to the Board of Managers. The Constitutional Revision Committee voted 17 to 6, with 6 abstentions, to adopt the report opposing the revenue amendment. When the report opposing the amendment was voted upon by the State and Municipal Taxation Committee, however, two signers of the subcommittee report voted "no" and the report was defeated 18 to 13, with two abstentions. This meant that the Board of Managers received conflicting advice from the two committees and no action was taken. The "switch" of votes by the two subcommittee members exacted much comment, caused much personal ill-feeling, and led several participants to speculate that fear of alienating the Cook County Assessor's Office was a factor.

The Illinois Bar Association did take a position in favor of the article and then polled its membership to determine their position. The two per cent who replied to the poll voted in opposition to the amendment but this poll was taken before a written debate appeared in

the Illinois Bar Journal. Thus, the stand of the Illinois Bar was dismissed by most observers as "no stand," although the poll was used for campaign purposes by the Defeat the Revenue Article group, even though the official stand taken by the Board of Managers was not rescinded.

Campaign Timetables

By the beginning of the summer, the Citizen's Committee for a New Revenue Article was organizationally complete. The Citizen's Committee ran their campaign on a timetable based on the theory of constitutional amendment campaigns used by Alan Jacobs, professional director of the campaign. According to Mr. Jacobs, the campaign must be geared to the voters' pattern of attention during the campaign. Research by Mr. Jacobs' firm in earlier elections has shown that the voter first begins to pay attention to the election about three months before the campaign when the typical voter decides his position on major candidates. In the months preceding the election, the voter then works his way down through the candidates for office in order of decreasing importance. Once he has decided which candidates will receive his vote, he begins to think in terms of substantive questions which will be on the ballot. Thus, it is only in the last two weeks or ten days before the election that most voters begin to consider their position on constitutional amendments. This means the most effective advertising must be done in that period of attitude formation.

The most effective advertising in the case of a complex, technical issue such as revenue reform is a simple, straightforward slogan which gives voters the impression that a vote for the amendment will not result in higher taxes, but will provide a better tax system.

In Mr. Jacobs' opinion the last few weeks are always crucial, but preparation in earlier periods is equally important. As early as possible, the leadership of all possible groups should be formed into a committee, making a pyramidal form of communication possible--from leaders to followers. Also, the recruiting of volunteers and their training was to be an important prelude to the last big push.

The strong county organizations which were prevalent in IAA-organized counties resulted from adherence to this kind of a timetable. The behind-the-scenes organizational work was done by mid-July with recruitment of volunteers during August and training in September. Contact with and persuasion of the voter was left until October and the first few days of November.[79]

The opponents' timetable was not nearly so well worked out. Unorganized until late in August, the opponents had no time to develop a tight organization for recruitment or dissemination of information. They relied on materials prepared and supplied by DRA member groups such as the League of Women Voters and the P.T.A. They followed no specific timetable and had no particular theoretical approach to attitude formation and change.

Campaign Materials

Campaign materials for both sides were prepared largely by members although the overall format for the Citizen's Committee was supervised by Bozell and Jacobs. Of course, budgetary restraints dictated a divergent approach between the two organizations in advertising.

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79 Letter from William J. Kuhfuss to County Farm Bureau presidents and secretaries, April 27, 1966.

The material circulated by proponents of the revenue amendment was generally distinguished from that of the opponents by greater sophistication and volume. The volume was a natural consequence of the larger budget, as was, in some degree, the sophistication.

The "pitch" of the campaign literature was designed to satisfy the major fears of the electorate concerning revenue reform. These fears centered around a rise in taxes, especially a rise in one's own tax bill, and this suggested the slogan "Stop Runaway Taxes." This suggestion was vetoed by the Governor who felt it would reflect on his administration and it was replaced with "Prevent Unfair Taxes!" This slogan played a prominent part in posters, advertisements, and flyers prepared by Bozell and Jacobs, Inc.

Another major creation of Jacobs was the film, entitled "The Challenge" which showed the proponents' view of what would happen if the amendment were to be passed. This film was also designed to alleviate fears about new and higher taxes, especially those on individuals.

Other materials were prepared by member groups of the Citizen's Committee and were coordinated by William Allen, chairman of Public Relations, and Al Jacobs. These materials were created for a narrower segment of the electorate, usually the membership of the organizations which prepared the materials. Although the coordinating group might have preferred a uniform set of arguments in favor of the amendment to avoid confusing the voters, a difference in emphasis among the groups seemed necessary to avoid alienating large segments of their memberships. Thus, business groups were told that the proposed article would reduce

chances for an income tax, whereas the IAA stressed that an income tax was authorized. Neither of these claims was false, they represent only a difference in emphasis, accommodating different self-interests under the same rubric. The differences are clearly illustrated by reasons given to businessmen and farmers why they should support the amendment. To the businessman: "It materially restricts the state's authority to levy an income tax and prevents a graduated income tax."[80] and to the farmer: "It clarifies state authority to levy an income tax, but it would restrict it to prevent abuse."[81]

After the campaign had been underway long enough to generate arguments against the revenue amendment, some of the literature of the proponents was aimed at rebuttal. A series of questions and answers was prepared by the IAA which answered some of the questions which had been raised by the opponents. Also, two mimeographed sheets were prepared particularly as rebuttals to the opposition of State Senator Paul Simon (D., Troy) and the League of Women Voters.

The strong county organizations added immeasurably to the campaign, not as much for the generation of campaign literature but for their efficient dissemination of literature developed by the statewide committee. The Citizen's Committee maintained a strong speakers' bureau which could furnish a speaker for the smallest or largest gathering. Since many of the speaking engagements were debates, the proponents really did not gain much of an advantage in exposure over the opponents in this area.

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80 Illinois State Chamber of Commerce, The New Revenue Article and What It Means to You, p. 6.

81 Ibid., p. 7.

One area in which the proponents had a major advantage was in newspaper support. From the beginning, the revenue amendment had the endorsement of the four major Chicago dailies--The Chicago Sun-Times, The Chicago Tribune, the Chicago Daily News, and Chicago's American. Early in the campaign, they garnered the support of several other major downstate newspapers and news chains such as the Peoria Journal Star and the Lindsay-Schaub newspapers.

With a small budget of only $10,000 and no professional staff, the "Defeat the Revenue Article" committee was largely dependent upon campaign materials provided by opposing organizations rather than on materials generated and coordinated by the DRA. The League of Women Voters, probably the most experienced of the organizations in revenue article campaigns and in low budget efforts, provided several pamphlets and flyers for distribution by the League and other opposing organizations through the DRA. The League provided two of the most frequently seen materials: (1) a flyer with a simple statement of opposition and a cartoon with the caption "Where did you say was the one good sentence in this amendment?" and (2) a four-page series of twenty questions and answers which were critical of the amendment as a viable replacement for the present revenue article. Both publications were straightforward and to the point but carried no slogan or memorable phrases to catch the readers' eye other than the cartoon on the flyer.

Both the P.T.A. and the League of Women Voters prepared speeches and press releases for members to use when needed. The P.T.A. prepared a five-minute statement to be read aloud at least once to every P.T.A. in the state. The League's speeches were prepared to aid members who might be asked to speak on behalf of the League in opposition to the amendment. These speeches were only moderately successful, however,

since, unlike previous campaigns, debates were often requested rather than flat statements for or against the amendment. This change was probably a result of the appearance of a legitimate opposition which attempted to rebut the claims made by the proponents.

In the early fall, the Committee on Fair Taxes of the Illinois AFL-CIO put out a pamphlet aimed at the worker which pointed out that the amendment would put the tax load on the working man. Unlike the League's publications, this pamphlet made only a token attempt to present reasoned arguments to the voter but was aimed strongly at persuading him to vote "no." In the same vein, the speeches made by labor representatives aimed at making the article and its supporters "look bad" rather than giving economic or legal reasons for voting against the amendment. When speaking to labor groups, labor speakers emphasized business support of the article. One labor speaker was fond of pointing out the fact that only Mississippi constitutionally links individual and corporate tax rates.

A tactic frequently used by the opponents was the free medium of communication, the letter to the editor. Many of these appeared in Chicago papers, often signed by several of the directors of the DRA, telling Chicagoans that they needn't fear the abolition of the classification system even if the article failed. The tactic was to override the proponents' emphasis upon the necessity of classification to keep low real property taxes on residences in Cook County.

As mentioned before, debates were often the form of communication with an audience since uncommitted groups were anxious to hear both sides of the revenue debate. In fact, the whole campaign took on the nature of a debate since the campaign literature of both groups was often given to answering charges or claims made by the opposition. In airing their side of the debates, the DRA maintained a speakers bureau

and would procure writers for newspaper or journal debates. One of the more important written debates appeared in the Illinois Bar Journal.[82] J. Nelson Young entered a critical appraisal of the amendment for the opponents, and Norman J. Beatty wrote an article upholding the practicality of the compromise.

The largest expenditure for advertising went for newspaper ads which were placed in almost every newspaper in the state with a substantial circulation. These ads stressed the restrictiveness and ambiguity of the amendment and carefully refrained from urging voters to vote against an income tax. The DRA produced thousands of blue buttons saying "NO." In previous constitutional amendment campaigns, blue buttons had been distributed with the notation "YES" to link the idea of a positive vote on the blue ballot. The DRA expected a similar tactic this time, but the "yes" buttons never appeared.

The DRA materials and those prepared by individual organizations were not particularly well coordinated, but because of the emphasis established at the beginning of the campaign, all literature from DRA affiliated opponents urged rejection of the amendment on the basis of restrictiveness and ambiguity rather than on permission of an income tax. One flyer was put out by the DRA which urged a negative vote on the amendment because it was "misleading," "unfair," "confusing," and "restrictive." The materials provided were neither elaborate nor professionally planned to provide catchwords for large segments of the electorate. By and large, they did aim at informing the public and rebutting the campaign claims of the proponents.

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82 Vol. 54, No. 12, August, 1966, pp. 1038ff.

The Final Drive

The campaign for the revenue amendment was of necessity closely tied to the commitments and actions of both parties. Downstate, the grass-roots organizations such as those set up by the Illinois Agricultural Association and the State Chamber of Commerce coupled with the endorsement of the Republican Party would be crucial in motivating people to go to the polls to vote "yes" for the revenue amendment. Based on past performances in constitutional amendment campaigns, however, it was clear that Cook County votes would be crucial, since it is the weight of the vote in Cook County which usually determines the outcome.[83] Because of the ability of the Cook County Democratic organization to deliever the vote, active support of the Democratic Party, particularly in Chicago, would be crucial.

The Republican state convention was held early in August, over a month before the Democratic convention. Some delegates to the convention received, on August 5, the following telegraph from William J. Kuhfuss, President of the Illinois Agricultural Association:

> Republican party support of Revenue Amendment considered important key to success in November. We urge you as party leader to actively support resolution or party plank in State Convention favoring Revenue Amendment.

Similar telegrams were sent by other organizations who supported the proposed amendment. Harris Rowe, the Republican candidate for State Treasurer, made several strong statements in favor of the revenue article and led the forces in getting convention approval. On August 6, 1966,

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83 Although Cook County usually approves constitutional amendments, it must do so by a wide margin to overcome downstate negativism to constitutional amendments. See: Tom Kitsos, "Constitutional Amendments and the Voter, 1952-1966," Illinois Government, July, 1967.

the convention unanimously approved Republican support for the revenue amendment over the objections of Timothy Sheehan, Cook County chairman.[84]

A month later, the Democratic convention also approved support of the amendment, although a split in the party prevented unanimity.[85] One of the most vocal dissenters was the Democratic nominee for State Treasurer, Adlai E. Stevenson, III, who had made it quite clear that he would not support the revenue amendment, even if the party asked him to.

Early in the campaign, the two candidates for State Treasurer, Rowe and Stevenson, brought a great deal of publicity to the revenue amendment since Rowe had chosen to make it the major issue between he and Stevenson. Rowe made this decision against the advice of several political backers, one of whom was a staunch opponent of the revenue amendment. Their reasoning was that more political capital could be gained pointing out Stevenson's preference for a graduated income tax rather than from supporting the amendment and, implicitly, an income tax.

Active party support by either party was sporadic and undependable, even though both parties had paid lip service to the amendment. This failure was particularly crucial in Cook County where an all-out effort was needed.

Mayor Daley, as late as September 24, 1966, had pledged support of the Democratic organization in the passage of the revenue amendment.[86] With this, and earlier endorsements, proponents were confident that

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84 Chicago Tribune, August 7, 1966.

85 Illinois State Register, September 10, 1966.

86 Chicago Tribune, September 24, 1966.

Chicago and Cook County would be sufficiently strong to carry the state. Opponents were not so sure this optimism was justified, however. Rumors were that it was not the Mayor but the Cook County Assessor who was anxious to have approval of the amendment, even though Mayor Daley gave the amendment his official blessing until the end.

Other signs indicated that an all-out effort was not in the offing. Political signs pointed to a Republican year at the polls, and the Democratic organization seemed sure to have its hands full supporting the major Democratic candidates, especially Senator Paul Douglas who was faced with strong opposition from former gubernatorial candidate, Charles H. Percy. Signs began to appear which convinced some observers that Mayor Daley's attention was elsewhere. First, opponents of the revenue amendment were invited to speak to meetings of party workers, a courtesy not usually awarded to opponents of the Party's position on priority matters. Also, past experience showed that Democrats from Cook County would take a million and a half sample ballots to had out with campaign materials for causes they were supporting, but not nearly this much material was picked up from the Citizen's Committee.[87] There are many different opinions as to what directions were given to party workers. Probably the most common opinion is that the Mayor told the precinct committeemen to have their voters vote "yes" on everything. The Mayor was in a position of wanting the Chicago school bond issue and other questions on the ballot passed; to single out the revenue amendment for a negative vote would only have confused voters.

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87 Interview, May 16, 1967.

Both the DRA and the Citizen's Committee proceeded on a hazy course since neither group was sure what the outcome would be in Cook County. Because of the nature of the electorates and the differences in interests, the Cook County and downstate campaigns were largely separated. This split was foreshadowed early in the campaign when the IAA agreed to organize the rural counties, leaving the more urban counties to the State Chamber of Commerce. In August of 1966, however, the state Citizen's Committee realized that the Cook County campaign would have to be organized by the statewide organization, and from then on the two campaigns were run separately and had different emphases.

In Cook County, the state committee emphasized the dangers to the homeowner to be without the protection of the classification system offered by the proposed revenue amendment. It was commonly said by the Committee that assessments would shoot up 30 to 40 per cent if the amendment was not passed.

Downstate, the Committee and the county organizations spent much more time than they would have liked battling the preoccupation with the income tax. Many newspapers had initially labelled the amendment as providing an income tax, whereas the Committee preferred to say that the article limited an income tax both as to form and rate instead of allowing the wide-open approach to income taxation which may be allowed under the present article.

In the downstate counties where the county Farm Bureaus were in charge of the revenue campaign, the IAA demonstrated its great ability to organize at the grass-roots level. Not only was much information and campaign literature handed out, but trained volunteers set up debates and contacted voters to answer questions and to urge them to vote for the amendment.

In the urban downstate counties, the State Chamber of Commerce had more difficulty organizing an effective campaign. First, the State Chamber is not at all accustomed to the grass-roots kinds of activities commonly employed by the agricultural groups. Second, urban citizens are harder to organize; they are less homogeneous than rural people and less likely to participate in a campaign actively. Also, it is in the urban areas of the state that the opponents were strongest. Many mayors of downstate cities such as Quincy were very active in opposing the amendment because of the rebate provisions and abolition of the capital stock tax. The P.T.A. and the League of Women Voters were also stronger in urban areas.

The AFL-CIO did not declare its opposition officially until the convention voted on the question in early October, 1966. At this time, the President, Reuben Soderstrom, who had worked with the Selected Organizations, said, "I helped get it through the House and Senate, but after it passed and I studied it I found I couldn't support it. If Governor Kerner goes through with this thing, he's made no gains. It stinks."[88] Labor opposition was especially effective in downstate cities such as East St. Louis, in which labor unions are strong and politically active.

As election day, November 8, approached, very little change was made in the campaign appeals by either side, except, perhaps, to make them more simple and more direct. Activity was stepped up and both proponents and opponents made more speeches and distributed more literature.

One major failure to meet Jacobs' timetable may have cost the proponents the election, according to Mr. Jacobs. Since research had

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[88] Champaign-Urbana Courier, September 11, 1966.

shown that advertising is most effective right before the election, especially when it gives a slogan or straightforward reason for voting for an amendment, the logical time to have staged a "big push" for the amendment would have been about ten days before the election, using radio, T.V., billboards, and literature. This opinion was confirmed by a telephone survey in Chicago which showed that 50 per cent contacted had no opinion. Of those who had an opinion, a great majority favored the amendment. When the amendment was explained to those who had no opinion, a great majority said they would favor the amendment.[89] Unfortunately, the Citizen's Committee did not have and could not raise the additional money needed to stage such a large-scale effort, and the opportunity slipped by.

AN ANALYSIS OF THE VOTE

On November 8, 1966, the voters passed judgment on all the efforts that had gone before. At that time, proponents discovered that they had not been able to reverse the history of negativism concerning amendments to the Constitution. There were a total of 3,928,478 ballots cast in the election, but only 3,076,879 persons voted on the constitutional amendment. "Yes" votes amounted to 53.4 per cent of the votes cast on the amendment and 41.8 per cent of the total votes. This fell short of either possible basis of approval--50 per cent of the votes cast at the election or two-thirds of those cast on the question.

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[89] Interview, May 16, 1967.

Table 1 reveals that response varied considerably from county to county. Not surprisingly, Adams County and Piatt County, where local governments receive large revenues from the personal property tax upon the intangible value (capital stock) of public utility corporations returned a heavy "no" vote. Madison and St. Clair counties, where organized labor carried on an active campaign in opposition returned an even greater percentage of "no" votes.

In Table 2, information from Table 1 is summarized into three categories. Cook County, with more than 50 per cent of the votes, voted more heavily in favor of the amendment than did either rural or metropolitan counties downstate. The other urban counties, in which the campaign for adoption was managed by the Illinois State Chamber of Commerce, were least favorable. The rural counties organized by the Illinois Agricultural Association turned in a "yes" vote of 52 per cent of the votes cast on the question, but had the largest percentage of persons not voting on the question.

Many factors have been credited or blamed for the defeat. Lack of money, closeness of the Cook County Democratic races, presence of a legitimate opposition and the campaign appeals used have all been cited as causes. Proponents of graduated income taxation and liberal grants of taxing power to the legislature claim the amendment was defeated because it was too restrictive, while some opponents of income taxation claim that the "no" votes were votes against an income tax.

Voters,of course, do not give reasons for their votes. Only an extensive, carefully formulated program of survey research--during and immediately after the campaign--would permit reasonable certainty in identifying the factors which influenced the voter on the question. It is possible, however, to advance some reasonable hypotheses from an analysis of the voting patterns.

TABLE 1

VOTE ON PROPOSED REVENUE AMENDMENT, 1966, BY COUNTY

County	Total Vote	Vote on Amendment	Yes Votes	Yes Votes as % of: Total Vote	Yes Votes as % of: Vote on Amendment
Adams	26,905	19,680	7,531	28.0	38.3
Alexander	6,892	3,417	1,507	21.9	44.1
Bond	6,415	4,215	2,156	33.6	51.2
Boone	6,933	5,751	3,174	45.8	55.2
Brown	3,145	2,149	1,078	34.3	50.2
Bureau	15,158	11,771	5,178	34.2	44.0
Calhoun	3,146	1,803	1,064	33.8	59.0
Carroll	6,837	5,270	3,430	50.2	65.1
Cass	6,598	4,676	2,088	31.6	44.7
Champaign	35,934	29,304	12,147	33.8	41.5
Christian	15,592	12,053	6,095	39.1	50.6
Clark	7,955	5,545	2,779	34.9	50.1
Clay	7,633	5,024	3,051	40.0	60.7
Clinton	10,953	7,667	4,440	40.5	57.9
Coles	17,096	12,714	5,413	31.7	42.6
Cook	2,060,524	1,657,981	976,621	47.4	58.9
Crawford	8,601	6,115	3,670	42.7	60.0
Cumberland	4,986	3,486	1,735	34.8	49.8
DeKalb	17,984	15,591	8,219	45.7	52.7
DeWitt	7,059	5,393	2,732	38.7	50.7
Douglas	7,647	5,989	2,360	30.9	39.4
DuPage	142,240	128,010	62,805	44.2	49.1
Edgar	10,532	8,098	4,501	42.7	55.6
Edwards	3,919	2,612	1,470	37.5	56.3
Effingham	10,770	7,942	4,210	39.1	53.0
Fayette	9,716	6,508	3,737	38.5	57.4
Ford	6,970	5,473	2,917	41.9	53.3
Franklin	18,585	8,950	3,893	20.9	43.5
Fulton	18,773	14,023	5,653	30.1	40.3
Gallatin	4,037	2,087	1,186	29.4	56.8
Greene	6,785	4,658	2,201	32.4	47.3
Grundy	9,023	7,221	3,655	40.5	50.6
Hamilton	5,254	2,948	1,462	27.8	49.6
Hancock	9,896	7,282	3,926	39.7	53.9
Hardin	2,876	1,454	680	23.6	46.8

TABLE 1 (Continued)

County	Total Vote	Vote on Amendment	Yes Votes	Yes Votes as % of: Total Vote	Yes Votes as % of: Vote on Amendment
Henderson	3,736	2,719	1,679	44.9	61.8
Henry	18,153	13,337	8,487	46.8	63.6
Iroquois	13,151	10,525	5,754	43.8	54.7
Jackson	16,587	9,722	4,795	28.9	49.3
Jasper	5,501	3,946	2,238	40.7	56.7
Jefferson	13,915	9,116	4,184	30.1	45.9
Jersey	7,079	4,669	2,244	31.7	48.1
JoDaviess	7,472	5,599	3,853	51.6	68.8
Johnson	3,589	1,914	933	26.0	48.7
Kane	68,494	55,305	23,803	34.8	43.0
Kankakee	30,752	22,070	8,598	28.0	39.0
Kendall	7,450	6,375	2,802	37.6	44.0
Knox	24,248	18,381	9,933	41.0	54.0
Lake	96,586	82,064	40,246	41.7	49.0
LaSalle	42,355	31,421	13,621	32.2	43.3
Lawrence	7,782	5,136	2,367	30.4	46.1
Lee	12,550	10,421	6,300	50.2	60.5
Livingston	15,283	11,586	6,942	45.4	59.9
Logan	12,874	9,929	4,853	37.7	48.9
Macon	42,726	34,922	15,854	37.1	45.4
Macoupin	20,881	15,227	7,414	35.5	48.7
Madison	70,527	53,278	17,307	24.5	32.5
Marion	16,618	11,321	6,531	39.3	57.7
Marshall	5,660	4,513	2,517	44.5	55.8
Mason	6,942	5,190	2,359	34.0	45.5
Massac	6,037	3,208	1,626	26.9	50.7
McDonough	10,667	7,661	3,948	37.0	51.5
McHenry	34,300	29,598	12,869	37.5	43.5
McLean	31,156	24,689	12,405	39.8	50.2
Menard	4,686	3,219	1,646	35.1	51.1
Mercer	7,863	5,765	3,414	43.4	59.2
Monroe	8,177	5,655	2,935	35.9	51.9
Montgomery	15,112	10,362	4,749	31.4	45.8
Morgan	14,315	11,077	6,155	43.0	55.6
Moultrie	5,396	4,118	2,089	38.7	50.7
Ogle	13,620	11,049	6,499	47.7	58.8
Peoria	58,029	43,108	17,351	29.9	40.3
Perry	10,206	5,460	2,210	21.7	40.5
Piatt	6,054	4,779	1,717	28.4	35.9
Pike	8,949	5,859	3,455	38.6	59.0

TABLE 1 (Concluded)

County	Total Vote	Vote on Amendment	Yes Votes	Yes Votes as % of: Total Vote	Yes Votes as % of: Vote on Amendment
Pope	2,248	1,209	466	20.7	38.5
Pulaski	4,591	2,095	1,134	24.7	54.1
Putnam	2,307	1,770	805	34.9	45.5
Randolph	13,905	9,110	5,515	39.7	60.5
Richland	7,402	5,125	2,586	34.9	50.5
Rock Island	51,143	39,434	20,680	40.4	52.4
Saline	12,258	6,713	3,825	31.2	57.0
Sangamon	65,309	49,445	19,095	29.2	38.6
Schuyler	4,439	3,016	1,452	32.7	48.1
Scott	3,459	2,255	1,042	30.1	46.2
Shelby	10,038	7,763	4,123	41.1	53.1
Stark	3,158	2,434	1,513	47.9	62.2
St. Clair	73,347	51,852	16,443	22.4	31.7
Stephenson	15,264	12,650	8,085	53.0	63.9
Tazewell	36,418	28.807	11,748	32.3	40.8
Union	7,457	3,889	2,141	28.7	55.1
Vermilion	35,613	26,963	11,177	31.4	41.5
Wabash	5,924	3,951	2,367	40.0	59.9
Warren	8,557	6,581	3,568	41.7	54.2
Washington	7,033	4,825	2,879	40.9	59.7
Wayne	8,772	5,809	2,399	27.3	41.3
White	9,045	5,906	2,879	31.8	48.7
Whiteside	20,050	15,734	8,877	44.3	56.4
Will	73,970	58,554	27,055	36.6	46.2
Williamson	21,539	11,040	5,618	26.1	50.9
Winnebago	65,424	54,335	22,913	35.0	42.2
Woodford	10,961	8,461	4,718	43.0	55.8

TABLE 2

VOTE ON PROPOSED REVENUE AMENDMENT, BY GROUPS OF COUNTIES

	Total Vote	Vote on Amendment	Yes Votes	Yes Votes as % of: Total Vote	Yes Votes as % of: Vote on Amendment
Cook County	2,060,524	1,657,981	976,621	47.4	58.9
Urban Counties[1]	1,085,491	862,699	376,867	34.7	43.7
Rural Counties[2]	782,463	556,199	289,061	36.9	52.0
Total	3,928,478	3,076,879	1,642,549	41.8	53.4

[1]Urban counties are those organized by Illinois State Chamber of Commerce.

[2]Rural counties are those organized by the Illinois Agricultural Association.

Given the known tendency of voters in certain areas to vote against all constitutional amendments,[90] it is appropriate to express the 1966 vote as a change from past voting patterns. Chart I provides such a comparison. The percentage vote on the revenue amendment in each county is shown as a percentage change from the "yes" vote on all amendments voted on in the years 1950-64. One of the most striking facts revealed by this type of comparison is that the southern and rural counties which usually vote most heavily against constitutional amendments were much more favorable to the revenue amendment than to past ones. It is also clear that the urban counties that might be expected to favor a measure supported by major business organizations voted less favorably than in the past. Specifically, every county organized by the Chamber of Commerce gave a lower percentage of votes to the amendment than its average over the last 15 years. The decrease ranged from 42.4 per cent in Madison County to 4.4 per cent in Rock Island County.

It seems likely that the efforts of the State Chamber of Commerce were less effective at the grass-roots level than was the IAA. The normal organizational pattern of the IAA involves participation of many persons at the local level and it lends itself well to campaigns which involve informing and motivating a mass of voters. The Chamber of Commerce, on the other hand, has an excellent research and legislative staff, but has neither organization nor experience for turning out large numbers of voters.

Aside from any differences in organizational capabilities, however, it is likely that the Chamber of Commerce has the more difficult job.

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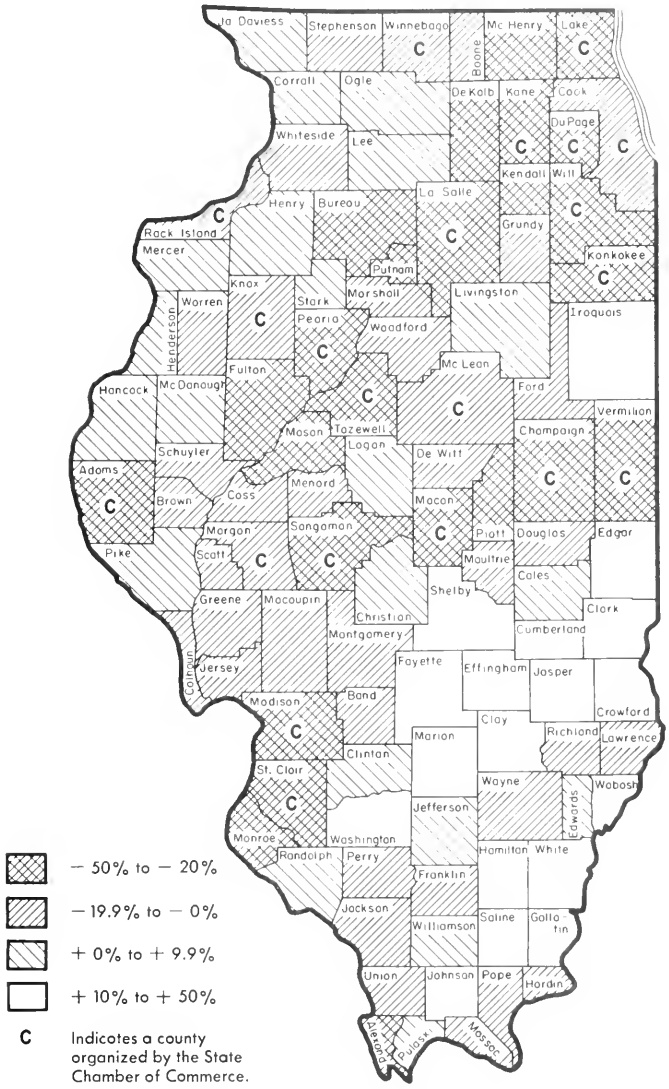
90 Thomas Kitsos, Constitutional Amendments and the Voter, 1952-66, Commission Papers of the Institute of Government (Urbana: University of Illinois, 1968), 24 pp.

CHART I

FAVORABLE VOTE, PROPOSED REVENUE AMENDMENT, AS PER CENT CHANGE FROM 1952-65 AVERAGE



SOURCE: Compiled from Thomas Kitsos, Constitutional Amendments and the Voter, 1952-1966, Commission papers of the Institute of Government and Public Affairs (Urbana: University of Illinois, 1968).

The IAA has, for several years, emphasized the heavy burden which property taxes place upon farmers and has suggested an income tax as the only possible solution. The proposed amendment did clearly legalize an income tax and required the repeal of the personal property tax within four years of the enactment of an income tax. The position of the Chamber, by contrast, represented a partial reversal of its historic opposition to an income tax. To many urban dwellers, removal of the personal property tax was small compensation for the imposition of an income tax since most personal property in urban areas is owned by businesses rather than by individuals. This was borne out by an informal poll of a large downstate city. It was found that those precincts populated heavily by businessmen, particularly corporate executives, were solidly against the amendment. One observer concluded that when the issue becomes one of individual preferences versus corporate preferences, the individual almost invariably wins. Corporations are legal persons that can hire lobbyists, but they cannot vote.

It is also possible that voters in counties which were organized by the Chamber of Commerce but which have a rural-urban mix received conflicting appeals from the two groups which may have reduced the effectiveness of either appeal.

SUMMARY AND CONCLUSIONS

Because of the large number of interested parties and the tangible rewards at stake, conflicts over taxation are intense and bargaining is apt to involve many diverse interests. In the struggle

over tax policy these groups draw upon many power resources such as threats, persuasion and technical expertise.

The major arena for bargaining over tax policy is the legislature where a relatively samll number of highly influential tax lobbyists usually formulate the policy alternatives and provide the technical expertise needed in this highly technical area. In this arena representatives of business interests have succeeded in maintaining a tax structure that is generally favorable to business and to upper income groups, while the representatives of labor and education have unsuccessfully supported major changes in the tax structure.

The revenue article of the constitution, as interpreted by the Illinois Supreme Court, was a major factor in the success of the status quo groups. The cloud of constitutional uncertainty that hangs over any major change in tax structure--particularly the imposition of a personal income tax--is a powerful argument against change as legislators face the usual end-of-session necessity of raising additional revenue. Skillful use of the unconstitutionality argument, the industry-location argument, and the technical knowledge of business lobbyists have been sufficient to prevent any major change in the tax structure since the imposition of the sales tax in the 1930's.

Gradually, however, there has been a shift in the balance of power. High sales and property tax rates have stiffened resistence to further rises in the rates of these taxes and extensive, often disguised, borrowing by the state has created concern. At the same time there has been a growing conviction that a properly drafted personal income tax would be upheld by the State Supreme Court. Added to these factors has been growing fiscal pressure on the state government to come up with funds to expand existing services and to initiate new ones.

These changes created the conditions in which forward-looking leaders of the status quo group, on the one hand, and anti-status quo groups, on the other hand, foresaw the possibility of achieving agreement on the wording of an amendment that would prove advantageous to both.

The first, or pre-legislative step, in the process involved long negotiations among the interest group representatives. Agreement was reached largely because each side realized that some change was imminent and felt that a compromise among usually competing groups was the best way to insure some "piece of the pie." Recognition of the traditional positions of the groups plus a willingness and ability to arrive at reasonable compromises made the original draft possible.

The second or legislative step in the process was not unlike the normal legislative lobbying process except that groups which have often opposed each other now presented a united front. The opposition came from the governor and the Cook County Democratic organization who demanded real estate classification. The tardiness with which the governor made his position known imperiled success of the effort, but the appointment of a special joint committee of well qualified legislators and the long hours that committee met resulted in last minute resolution of differences between the interest groups and the governor as well as some legislative-originated changes.

Passage of the proposal by an overwhelming legislative majority represented a political achievement of considerable magnitude, but one which carried the seeds of its own defeat at the final referendum stage. Drafting had been largely a "closed" operation by lobbyists and legislators. The public knew little of what was going on and many groups

and organizations which have a vital interest in the matter were not represented. Furthermore, hasty, last minute changes made to satisfy a particular interest group or to "clarify" language resulted in a poorly-drafted, ambiguous document.

The extraordinary vote required for passage of constitutional amendments and the general attitude of negativism toward governmental change in Illinois makes passage of any revenue amendment difficult unless widespread agreement among opinion leaders makes it possible to develop a crusade spirit and to mount a campaign which concentrates on the education and motivation of the electorate. This appears to have happened only in the more isolated rural counties, but these are the counties traditionally most opposed to change and even a vote that was more favorable than usual fell well short of the passage level.

In summary, it can be said that the generation of the amendment planted the seeds of defeat for the amendment. Too many gave up too much to get an amendment which was satisfactory to too few. Organizations had a difficult time "selling" the article to their own members, let alone to the entire electorate. Whether an amendment drafted by a "public" group, implementing unambiguous goals, and imposed from outside the well established interest group--legislative coalition would be any more successful is an open question, but it appears certain that any article drafted by existing interest coalitions begins with a great strike against it.

APPENDIX

The Secretary of State is required to mail to each registered voter a pamphlet containing the text of proposed constitutional amendments together with the test of the existing amendments, an explanation of the proposed changes and arguments for and against the proposed changes.

In practice the official explanation and the arguments for and against are drafted by interested parties.

The material in this appendix is taken from this pamphlet.

APPENDIX A

PROPOSED AMENDMENTS TO ARTICLE IX AND CORRESPONDING SECTIONS OF THE EXISTING ARTICLE

ILLINOIS CONSTITUTION ARTICLE IX REVENUE

Section 1. The General Assembly shall provide such revenue as may be needful, by levying a tax, by valuation, so that every person and corporation shall pay a tax in proportion to the value of his, her, or its property--such value to be ascertained by some person or persons, to be elected or appointed in such manner as the General Assembly shall direct, and not otherwise; but the General Assembly shall have power to tax peddlers, auctioneers, brokers, hawkers, merchants, commission merchants, showmen, jugglers, inn-keepers, grocery-keepers, liquor-dealers, toll bridges, ferries, insurance, telegraph and express interests or business, vendors of patents, and persons or corporations owning or using franchises and privileges, in such manner as it shall, from time to time, direct by general law, uniform as to the class upon which it operates.

HJR NO. 71 - PROPOSED AMENDMENT TO REVENUE ARTICLE IX

RESOLVED, BY THE HOUSE OF REPRESENTATIVES OF THE SEVENTY-FOURTH GENERAL ASSEMBLY OF THE STATE OF ILLINOIS, THE SENATE CONCURRING HEREIN, that there shall be submitted to the electors of this State for adoption or rejection at the next election of members of the General Assembly of the State of Illinois, in the manner provided by law, a proposition to amend Sections 1, 2, 3, 9, 10, 12, and 13 of Article IX of the Constitution to read as follows:

Section 1. The General Assembly shall provide such revenue as may be needful by levying taxes, or by authorizing the levy of taxes, in accordance with the provisions of this Article.

Real estate shall constitute one class except as provided in this Article.

The General Assembly may classify tangible personal property into the following classes: (a) household goods and personal effects not used in the production of income, (b) business and farm inventories, including grain, livestock and poultry, (c) motor vehicles, ships, boats and aircraft, and (d) all other tangible personal property; and may abolish property taxes on any or all classes thereof.

Subject to the provisions of the succeeding paragraph of this Section, any tax upon real estate and personal property shall be levied by valuation, such value to be ascertained by some person or persons to be elected or appointed in such manner as the General Assembly shall direct and not otherwise.

The General Assembly may levy a use, privilege or franchise tax, uniform throughout the State, upon ships, boats and aircraft, and upon motor vehicles, or upon any class

or classes thereof, in lieu of all property taxes thereon, provided, however, that the proceeds of any tax so levied shall be distributed to local taxing districts and for such purposes as the General Assembly may direct by general law.

The General Assembly may classify intangible property for taxation and may abolish taxation of any or all classes thereof. Classifications of intangible personal property shall be reasonable and based solely upon the nature and characteristics of the property and not on the amount or number owned, and each class may be taxed in such manner as the General Assembly may direct by general law, uniform as to the class upon which it operates. Intangible personal property not employed in carrying on any business by the owner shall be deemed to be located at the domicile of the owner for purposes of taxation; and if such intangible personal property is held in trust, the owner for the purposes of taxation shall be deemed to be the person or persons, according to their respective interests, who have the present beneficial enjoyment of such property. However, intangible personal property employed in or resulting from carrying on a trade or business outside the state shall be deemed to be located outside the state for the purposes of taxation, notwithstanding that the domicile of the owner thereof is within the state.

No class of personal property in any county shall be assessed for taxation at a percentage of actual value greater than the percentage used in assessing real property, other than in Cook county.

Section 2. The specification of the objects and subjects of taxation shall not deprive the General Assembly of the power to require other subjects or objects to be taxed, in such manner as may be consistent with the principles of taxation fixed in this Constitution.

The General Assembly may levy or authorize the levy of occupation, sales, use, inheritance, privilege and franchise taxes, uniform as to the objects and subjects taxed within the jurisdiction of the authority levying the tax and uniform as to exemptions granted from any such tax. Any such tax on or measured by gross receipts shall be nongraduated and shall be imposed uniformly upon persons and corporations.

	The General Assembly may levy a tax on or measured by income, the rate of which tax shall be nongraduated and shall be levied only by the State uniformly upon corporations and persons with deductions, exemptions and credits not to exceed those permitted from time to time under the Internal Revenue Code of the United States and with credits for taxes and fees as the General Assembly may direct by general law and shall not exceed the rate of 3% unless and until the question whether such a tax should be levied at a rate exceeding 3%, including the maximum rate of tax which might be so levied, has been submitted as a proposition at a general election to the people of the state and has received a majority of the votes cast at such election for or against such proposition. No such tax shall exceed in any event the rate of 6%. Except as provided in this paragraph, the General Assembly shall neither levy nor authorize the levy of any tax on or measured by income. If an income tax is levied, the General Assembly shall fix a date, not later than 4 years after the effective date of the Act levying such tax, after which no ad valorem tax shall be levied on any tangible or intangible personal property; and the proceeds of not less than 1% of any such income tax shall be distributed to local taxing districts and for such purposes as the General Assembly may direct by general law.
Section 3. The property of the State, counties, and other municipal corporations, both real and personal, and such other property, as may be used exclusively for agricultural and horticultural societies, for school, religious, cemetery and charitable purposes, may be exempted from taxation; but such exemption shall be only by general law. In the assessment of real estate incumbered by public easement, any depreciation occasioned by such easement may be deducted in the valuation of such property.	Section 3. The property, both real and personal, and the income of the state, counties and other municipal corporations, intangible personal property and the income therefrom held for the purpose of providing pension or welfare benefits, and such other property or part thereof as may be used exclusively, as defined by general law, for agricultural or horticultural societies, school, religious, cemetry or charitable purposes, and the income of organizations organized for such purposes, may be exempted from taxation, but such exemption shall be only by general law. In the assessment of real estate encumbered by public easement, any depreciation occasioned by such easement may be deducted in the valuation of such property.

Section 9. The General Assembly may vest the corporate authorities of cities, towns, and villages, with power to make local improvements by special assessment or by special taxation of contiguous property, or otherwise. For all corporate purposes, all municipal corporations may be vested with authority to assess and collect taxes; but such taxes shall be uniform, in respect to persons and property, within the jurisdiction of the body imposing the same.

Section 9. The General Assembly may vest the corporate authorities of cities, towns and villages, with power to make local improvements by special assessment or by special taxation of contiguous property, or otherwise. For all other corporate purposes, all municipal corporations may be vested with authority to assess and collect taxes, but such taxes shall be uniform, in respect to persons and property, within the jurisdiction of the body imposing the same, except as otherwise authorized by Sections 1 and 2 of this Article.

Section 10. The General Assembly shall not impose taxes upon municipal corporations, or the inhabitants or property thereof, for corporate purposes, but shall require that all the taxable property within the limits of municipal corporations shall be taxed for the payment of debts contracted under authority of law, such taxes to be uniform in respect to persons and property, within the jurisdiction of the body imposing the same. Private property shall not be liable to be taken or sold for the payment of the corporate debts of a municipal corporation.

Section 10. The General Assembly shall not impose taxes upon municipal corporations, or the inhabitants or property thereof, for corporate purposes, but shall require the corporate authorities to levy taxes for the payment of debts contracted under authority of law. Private property shall not be liable to be taken or sold for the payment of the corporate debts of a municipal corporation. The General Assembly may distribute in whole or in part, the proceeds of any tax levied by the state to such local governments and for such purposes as it may direct by general law.

Section 12. No county, city, township, school district, or other municipal corporation, shall be allowed to become indebted in any manner or for any purpose, to an amount, including existing indebtedness, in the aggregate exceeding five per centum on the value of the taxable property therein, to be ascertained by the last assessment for state and county taxes, previous to the incurring of such indebtedness. Any county, city, school district, or other municipal corporation, incurring any indebtedness as aforesaid, shall before, or at the time of doing so, provide for the collection of a direct annual tax sufficient to pay the interest on such debt, as it falls due, and also to pay and discharge the principal thereof within twenty years from the time of contracting the same.

This section shall not be construed to prevent any county, city, township, school district, or other municipal corporation, from issuing their bonds in compliance with any vote of the people which may have been had prior to the adoption of this Constitution in pursuance of any law providing therefor.

Section 12. No county, city, township, school district, or other municipal corporation, shall be allowed to become indebted in any manner or for any purpose, to an amount, including existing indebtedness, in the aggregate exceeding 5% or in the case of school districts maintaining grades 1 through 12 exceeding 10%, on the value of the taxable property therein, to be ascertained by the last assessment for state and county taxes, previous to the incurring of such indebtedness. Any county, city, school district, or other municipal corporation, incurring any indebtedness as aforesaid, shall before, or at the time of doing so, provide for the collection of a direct annual tax sufficient to pay the interest on such debt, as it falls due, and also to pay and discharge the principal thereof within 20 years from the time of contracting the same. In the event the tax on all personal property is abolished, the foregoing limitations of 5% and 10% shall be increased to 6% and 12%, respectively.

Section 13. The corporate authorities of the city of Chicago are hereby authorized to issue interest-bearing bonds of said city to an amount not exceeding five million dollars, at a rate of interest not to exceed five per centum per annum, the principal payable within thirty years from the date of their issue, and the proceeds thereof shall be paid to the treasurer of the World's Columbian Exposition, and used and disbursed by him under the direction and control of the directors in aid of the World's Columbian Exposition, to be held in the city of Chicago in pursuance of an act of Congress of the United States: PROVIDED, that if, at the election for the adoption of this amendment to the constitution, a majority of the votes cast within the limits of the city of Chicago shall be against its adoption, then no bonds shall be issued under this amendment. And said corporate authorities shall be repaid as large a proportionate amount of the aid given by them as is repaid to the stockholders on the sums subscribed and paid by them, and the money so received shall be used in the redemption of the bonds issued as aforesaid: PROVIDED, that said authorities may take, in whole or in part of the sum coming to them, any permanent improvements placed on land held or controlled by them: AND PROVIDED FURTHER, that no such indebtedness so created shall in any part thereof be paid by the State, or from any State revenue, tax or fund, but the same shall be paid by the said city of Chicago alone.

Section 13. Any classification of real property for purposes of taxation in effect in the County of Cook on January 1, 1965, shall continue in effect unless modified as hereinafter provided.

The County Assessor of Cook County may abolish existing classes, and may create new and additional classes as may be reasonable and equitable; but no property shall, by reason of the creation of a new or additional class or by the abolition of any existing class, be placed in a class assessed at a higher percentage of actual value than the class in which such property was previously assessed.

The County Assessor of Cook County may change the level of assessment of any class of real property provided that the difference between the percentage of actual value used in the County of Cook for taxation of the lowest taxed class of real property and the percentage of actual value used in the assessment for taxation of any other class of real property is not greater than the difference in effect on January 1, 1965.

The substance of procedures in effect on January 1, 1965, with respect to real property assessed for taxation by the State of Illinois shall continue in effect without modification.

Any person or corporation aggrieved by any violation of this Section shall be entitled to appropriate relief at law or in equity.

The classification of real property herein provided for may be abolished by a vote of registered voters of Cook County in the following manner. The county board of such county shall, upon petition signed by 33% of the registered voters in the county, cause a proposition for the abolition of such classification of real property, to be submitted to the registered voters of the county at a general election or at a special election called for such purpose. If two-thirds of all of the registered voters of such county vote affirmatively upon the proposition, then such classification shall thereupon be abandoned.

SCHEDULE

Paragraph 1. This Amendment of Article IX, if adopted, shall become effective on July 1, 1967, hereinafter called the "Effective Date." After the adoption of this Amendment of Article IX, the General Assembly shall enact such laws and make such appropriations as may be necessary or proper to give effect to its provisions.

Paragraph 2. All laws in force on the Effective Date of this Amendment of Article IX and consistent therewith shall remain in full force and effect until amended or repealed by the General Assembly. All laws in force on the Effective Date of this Amendment of Article IX and inconsistent therewith, unless sooner repealed or amended to conform with this Amendment, shall remain in full force and effect until July 1, 1968.

Paragraph 3. All fines, taxes, penalties and forfeitures levied, due or owing prior to the Effective Date of this Amendment of Article IX shall continue to be as valid as if this Amendment had not been adopted.

APPENDIX B

OFFICIAL EXPLANATION OF AMENDMENT

This Amendment would:

a. Make no change in the present manner of taxing real estate.

b. Permit various kinds of personal property to be taxed at different rates and also permit the elimination of taxes on any or all types of personal property, for example, household goods and personal effects.

c. Permit the legislature to abolish the present retailers' occupation tax and use tax, and replace them with a true sales tax, under which such items as food and medicine could then be exempted.

d. Limit any income tax, if enacted, to a maximum of 3%, unless the people at a later election vote to increase the limit, but even then, not beyond 6%. If an income tax were adopted, all personal property taxes would be abolished. Further, the proceeds of at least the first 1% rate of income tax, if enacted, shall be distributed to local governments to replace the revenue from the personal property tax.

e. Equalize the bonding power of school districts.

APPENDIX C

ARGUMENTS IN FAVOR OF THE REVENUE AMENDMENT

The only purpose of the proposed amendment is to modernize the tax structure of the State of Illinois and to make certain that the necessary taxes fall fairly on all citizens. State and local spending will neither increase nor decrease as a result of this modernization. This amendment seeks only to improve the way we raise money, not change the amount. As a taxpayer of Illinois, you deserve to know that the taxes you pay, both state and local, are being paid by everyone equitably. This is not the case now.

This amendment aims at doing these important things:

1. It should end the annual individual taxpayer's struggle with his conscience over personal property taxes.

2. It should help to hold down the steady rise in real estate taxes.

3. It will give Illinois a clear modern tax structure that will help Illinois business and will encourage new business and industry to enter our state.

Following are more detailed arguments in favor of each of the Sections of this amendment:

a. There Should Be No Change in the Present Manner of Taxing Real Estate

For all of Illinois, outside of Cook County, real estate would remain in one class as it is now, without any change. At the present time real estate is assessed in Cook County on a distinctive basis that provides a safeguard to the home owner and the businessman. This amendment would continue this present effective system.

b. Personal Property Tax Needs to be Reformed or Eliminated

The present revenue article encourages cheating and evasions. This new amendment would allow different types of personal property to be taxed at realistic levels, or even have the tax on different classes abolished. For example, the personal property tax on household goods and personal effects, and business and farm inventories could be abolished.

c. A True Sales Tax Means a Fairer Tax

A true sales tax would permit the General Assembly to exempt from the sales tax such items as food and medicine. The present constitution prohibits any exemption. This amendment would substitute a fair and efficient tax for the present retailers' occupation tax which is inefficient, inequitable and hard to administer.

d. This Amendment will not Levy a State Income Tax by Itself

This amendment restricts and clarifies the legislature's power to levy an income tax. Many authorities on constitutional law contend that an income tax at an unlimited rate is possible under the present revenue article. This amendment will permit the legislature to enact a flat-rate income tax on individuals and corporations, limited in rate not to exceed 3%. Only by a statewide vote at a later date could the rate be increased, but even then the total rate could not exceed 6%. Deductions, exemptions or credits may be permitted as under the Internal Revenue Code.

If an income tax is enacted in Illinois, all personal property taxes shall be abolished within a four-year period. To prevent transfer of the personal property tax load to real estate, the amendment further provides that the proceeds from at least the first 1% rate of the revenue derived from an income tax shall be distributed to local governmental units.

e. All School Districts Shall be Treated Alike

The proposed amendment would permit school districts covering grades 1 through 12 to vote construction funds on the same basis as those districts now composed of two school systems, grades 1 through 8 and 9 through 12.

WIDE AGREEMENT IN TAX REFORM

For the first time in a decade, substantial agreement has been reached on reform of the revenue structure. In the 1965 session of the General Assembly, more than 80% of the legislators voted for this amendment, with a broad consensus from both political parties. Wide agreement on support for this amendment also came from groups representing the economy--from labor, educators, farmers and businessmen. For over a century Illinois has struggled to match its revenue system with its rapid growth as a great industrial and agricultural state. Now it is your turn to help yourself and your state. Your affirmative vote for this revenue amendment will give the State of Illinois the opportunity to assure you of a fair tax system.

APPENDIX D

ARGUMENTS AGAINST THE REVENUE AMENDMENT

1. Flexibility is especially important in the power of the State of Illinois to raise revenue. The proposed amendment would make the Revenue Article more restrictive and inflexible than it is today.

2. The amendment permits classification of personal property but restricts it to four (4) classes only, with no sound basis for the manner in which the property is classed.

3. Although certain proposals for classification of personal property might be desirable, there is no way to secure this classification of property without also granting the express authority to impose a State income tax, since the General Assembly did not submit alternative choices to the voters. This "one package" proposal could do more harm than good to the taxpayers.

4. Even classification of personal property as proposed in this amendment is debatable. By leaving the choice to the legislature as to what personal property to tax and what not to tax, all kinds of special interests would be working constantly to pay less taxes. The pressures thus created could result in inequitable taxation.

5. The amendment will do away with the corporate franchise and capital stock taxes through the requirement that taxes be imposed uniformly on persons and corporations and that they be non-graduated. We have never required that persons and corporations be treated alike.

6. The amendment permits classification of real property in Cook County but not in other parts of the state. Thus, the home owner in Cook County will pay less real estate taxes than the home owners in the other 101 counties of Illinois. This violates the equal protection of the laws provision of the U. S. Constitution and puts the entire proposed system of classification in jeopardy.

7. The amendment limits to 3% the rate at which the legislature may impose a flat-rate income tax. Another 3% may be imposed after a statewide referendum. The amendment permits a state income tax to be levied against corporations only if levied upon incomes of persons.

8. No relief from the limit on bonded indebtedness is granted to most school districts in Illinois--only to unit districts maintaining grades 1 through 12. Individual elementary and high school districts get no additional bonding authority. Only if the personal property tax is eliminated will they get an additional 1% bonding authority, but for many this would not suffice to make up for the loss in assessed valuation.

9. This amendment provides that if a state income tax is imposed, all personal property taxes must be eliminated. This will result in an unfair tax advantage for certain businesses such as railroads, utilities, and heavy industries at the expense of the individual home owner.

10. Adoption of this amendment will tie the hands of the Legislature even more than does the present Revenue Article. It is a short-sighted proposal and will in the long run restrict the growth of Illinois by preventing the state from offering to its citizens the services they need and want. The restrictions imposed in this amendment are too high a price to pay for classification of property.